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Copy No.

FURTHER CORRESPONDENCE

RESPECTING

IRAQ

PART 15

January to December 1961

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FURTHER CORRESPONDENCE RESPECTING
IRAQ—PART 15

EQ 1011/1

No. 1

IRAQ: ANNUAL REVIEW FOR 1960

Sir Humphrey Trevelyan to Lord Home. (Received January 17)

(No. 1. Confidential) Baghdad,
My Lord, January 2, 1961.

At the end of 1960 Abdul Karim Qasim was still in the seat of power, but had not succeeded in stabilising his own position or the country. He appeared to trust no one and, in consequence, no one trusted him. He remained afloat by playing off the political groups against each other and by slapping down any group which appeared to threaten his position. During the course of the year he steadily lost support not only among the politically active groups but among civil officials and even officers of the armed forces, and criticism of his inability to run the country and of the inefficiency of the Government became progressively more outspoken. Even his personal appeal to the masses seemed to have greatly diminished, if only as a result of the disillusionment of the Communists who had been the chief instrument in whipping up popular enthusiasm for his leadership during the early period of their honeymoon with him. At the end of the year, there were signs that he was beginning to realise the disadvantages of his policy of self-isolation and that he was trying to build up some political support among the moderates and to conciliate the Nationalists. But almost all Iraqis remained sceptical of his sincerity. In the first two and a half years of the Revolution he had not yet dared to leave the environs of Baghdad except for two unannounced afternoon trips by air, during which he touched ground only among his troops. In Baghdad he still travelled only in his bullet-proof Russian car, followed by a truck-full of armed guards. Plotting against him in 1960 was probably continuous, if desultory and ineffective. Although there were continued rumours of opposition army groups, no serious move against him developed in the forces, in which he had weakened the Opposition by retiring almost all the best senior officers. He was protected by a

pretorian guard of specially selected military police, by a personal intelligence service, operating in and outside the forces and by his own nose for plots, his one quality which commanded a grudging respect from his many detractors. He had the advantage of the man in possession. To unseat him would require a degree of drive, organisation and initiative which his opponents have not shown since the Ba'athists tried to kill him in October 1959, when he was more careless of his personal safety. He profited too from the fear of the middle-class that a *coup* would involve serious risks to their lives and property and would result in the coming to power of the extremists of Left or Right, or of merely another inefficient soldier, as little able as Qasim to give the country either an efficient Government, internal stability or the relative prosperity achieved before the Revolution. As late as October, when he seemed for the moment to be again favouring the Communists, rumours of plots against him were rife, but this phase was succeeded by Government action against some of the Communists' positions of strength which was sufficient by the end of the year, according to one observer, to cause the plotters to suspend action, at least until they saw whether this trend would be maintained or be again reversed, as so often before. Few backed him, but with the lessening of tension, his position somewhat improved and, though he had lost so much political support, for the first time people began to contemplate the possibility that, for a period at least, he would be grudgingly accepted. No one was yet prepared to wager that he would be in power for very long. It may be tomorrow, was the theme, next week or next month, or it may be a long time; but there was still no one who regarded him as likely to be a permanent feature of the Iraqi landscape.

2. The Communists had lost much ground by their brutalities and failures of 1959. Nasser's attempts to unseat Qasim had thrown him into their arms. They had lost their heads and attempted to seize power on an inadequate popular base. Qasim reacted against them by a series of limited actions designed to keep them in their place. He did not altogether break with them, but by the end of 1960 his efforts to reduce their power had gone far enough for their support of him to be for the first time in doubt. In spite of Government pressure, they remained the best organised party and their capacity for disruption in an emergency was still a factor to be reckoned with, particularly in Baghdad where they had concentrated their forces. But by December 1960 they had lost the run of the street. They were liable to be attacked in public processions, the police were demonstratively against them, the inhabitants of Mosul and Kirkuk, with police acquiescence, took systematic vengeance against them by private murder, while to sport a red tie or drive a red car became, in places, unsafe. Many prominent Iraqi officials "changed gear", as the local saying is, and after a period of fellow-travelling while the red light was in the sky, began to profess their abhorrence of Communism. With the aid of the police and managed elections, the Communists were ousted from the control of the Trade Unions, now regarded as nuisances to be kept firmly in their place, and the anti-Communists, this time with Government support, began to challenge successfully the Communists' domination of the professional associations. But they still held some important positions in a number of Ministries and in the armed forces, although their strength in the forces was diminished with the weakening of Communism in the country as a whole. "We have at last turned the corner", said a senior officer recently, but the Communists could quickly recover a lot of ground, should they again feel a fair wind blowing from the top.

3. The Nationalists gained greatly in courage and popular support, though politically unorganised, and the split between the Nasserist and Iraqi Nationalists was widened by the weakening of the Communist power. The Ba'athists, working underground, remained the only organised party apart from the Communists. The weak Centre party split into two weaker factions, the one led by Muhammad Hadid, the protagonist of collaboration with Qasim,

supported by business interests and to some degree by the peasants, who looked to the Government for favours, the other led by the old Opposition leader, Kamil Chaderchi, who had for long favoured a withdrawal of the National Democratic Party from the Government. The logic of events favoured his thesis. For the year which started with the licensing of parties ended with their apparently complete atrophy. As Qasim sought more and more to try and run the country himself, treating his Ministers as very subordinate officials, the possibility of the parties co-operating actively with him diminished, and Hadid himself resigned and remained outside the Government, though still collaborating with Qasim as an unofficial adviser. Qasim's promise to call in a Committee of wise men and rumours of a new impulse towards a constitution to be announced on the 6th of January, the customary day of political promises, were met with a cynical indifference, since no one now believed that he would give up his personal power.

4. The country is suffering sorely from lack of leadership and lack of good government. If Qasim were capable of giving the Iraqis these two basic requirements, they would still gladly follow him and let the parties go hang, but most of them have given up hope that he can measure up to his task. What, an Iraqi newspaper commentator recently asked, makes the Iraqi Revolution a real revolution rather than a mere *coup d'état*? His answer was "Land Reform", and it is beginning to be realised that Land Reform has so far wholly failed. In the areas subject to reform little land is now cultivated. Harvests show no sign of regaining the pre-revolutionary level and the purchasing power of the peasants has been seriously depressed, causing stagnation in trade. The Revolution has given extra pay and perquisites to the police, the armed forces and the civil officials, the numbers of which have been wastefully multiplied. The ordinary budget has absorbed a greater proportion of the oil royalties which have underpinned this most inefficient régime. On the credit side, there has been some effort to build new schools and hospitals. But one must conclude that the increase of one-third in the ordinary budget since the Revolution has been, in the main, unproductive, and future revenues must have been mortgaged in a considerable sum for the payment of the bill for Russian arms. No new development plan has as

yet appeared and the Planning Ministry has been, in universal opinion, almost wholly ineffective. Major development works have not altogether stopped, but they were begun or planned before the Revolution, which has as yet given no significant new impulse to development. It is still well behind the pace and direction achieved before the Revolution and much more expensive than before. The Administration works after a fashion, but creaks badly. Few Ministers and senior officials exercise real responsibility and a wide range of administrative decisions, important and unimportant, are reserved for an inexperienced Prime Minister, who thinks he knows all the answers and exhausts his Ministers by all-night sessions. Yet it would be wrong to paint too gloomy a picture of the present situation of the country. One has only to look back to the black days of April 1959 to realise the immense improvement which has taken place in the general atmosphere. There is much less fear and a feeling of hope in the air.

5. As the immediate Communist danger in Iraq seemed to recede, Iraq's relations with her neighbours and the rest of the Arab world generally improved. Honeyed words were exchanged with Iran, though the intractable Shatt-al-Arab dispute lowered on the horizon. The resumption of relations with Jordan was welcomed by many Iraqis as a move towards normality, but was represented by the emotional nationalists, with the help of Nasser's devious propaganda, as a British plot directed against the United Arab Republic, to be followed by further moves in conjunction with Iran to bring Iraq by the back-door again into the orbit of the Central Treaty Organisation. Qasim reacted to these nationalist attacks by beating the anti-British Arab Nationalist drum, and there were signs that he would like to secure some improvement of his public relations with Cairo, but although an uneasy truce was maintained with Nasser, who now seemed content to wait on events in Iraq, few expected a real thaw between Cairo and Baghdad, and suspicions on either side remained deep.

6. Qasim, still the prisoner of his past and deeply suspicious of "imperialist" machinations, is personally biased in favour of the Communist bloc, from which he gets political support for his anti-imperialist obsession and useful economic aid. Communist experts are coming to Iraq in increasing numbers to execute

the Soviet-Iraqi economic agreement and although the Russians are unpopular and Soviet efforts in Iraq have met with some surprising failures and some opposition, the effect of Soviet aid in the field of foreign relations should not be underestimated. The armed forces are now being largely equipped with Soviet weapons and material, some of which is, however, not of too good quality and is sharply criticised by army officers. But the forces are still based on British organisation and a most welcome sign is the revival of courses for Iraqi officers in the United Kingdom, as greatly sought after by the average Iraqi officers as those in the Soviet Union are shunned. In spite of the bias at the top in favour of the Communist bloc, there is no significant discrimination against British trade, for which, in spite of the general stagnation, prospects remain good, and there is still a genuine liking for British methods and British goods, born of long and satisfactory experience. Cultural connexions with Britain are growing again and are generally welcomed. Negotiations with the Iraq Petroleum Company, against which there is widespread emotional prejudice, have been difficult, though this is no new phenomenon. They are made more difficult by the weakness of Qasim's internal position. His negotiating tactics, aptly described by him in a public speech in the words, "every day we ask for more", appear to be to push the Company to the furthest possible limit short of endangering the royalties on which he depends. Whether he miscalculates and goes too far, remains to be seen.

7. The development of the internal situation remains unpredictable. Opposition to Government is a natural feature of the Iraqi political scene and, though Qasim may disappear any day, it is not out of the question that he will be able to hold on to power for some time, despite the chorus of his detractors, provided he does not turn again to the Communists but bases himself on the middle class. The instability and Communist danger of the last two years has been of some advantage to us, since, as we are frequently told, Communist excesses have been far more effective in turning Iraqis against Communism than the most lavish Western anti-Communist propaganda could have been, and since the memory of the old régime has become almost respectable to many of its old opponents, in comparison with the unhappy reality of the Revolution.

But as the tide of local Communism at least temporarily recedes, our own special problem, how to compose our differences with Arab nationalism, comes to the fore. It is significant that the Foreign Minister, Hashim Jawad, has recently become noticeably more extreme on Arab and anti-colonial issues and has welcomed Soviet support on them against the West. We should be under no illusions about the difficulties which lie ahead of us and the advantages which will accrue to the Russians if they are not again compromised by local Communist "adventurism", so long as Western differences with Arab nationalism remain acute.

8. I am sending copies of this despatch to Her Majesty's Representatives in Amman, Beirut, Tel Aviv, Cairo, Tehran, Ankara, Washington, the Political Office, Middle East Forces, Her Majesty's Consul-General at Basra, the Political Resident in the Persian Gulf, Bahrain, the Political Agent, Kuwait and the Political Adviser, British Forces, Arabian Peninsula, Aden.

I have, &c.

H. TREVELYAN.

Enclosure

Calendar of Principal Events in 1960

January

- 1 Promulgation of new Law of Associations and Parties.
- 2-4 Second Conference of Iraqi General Students Union, attended by the President of International Union of Students.
- 7 Resignation of Hudaib al Haj Hamud, Minister of Agriculture. Replaced by Brigadier Fuad Arif in acting capacity.
- 9 Applications submitted for formation of the National Democratic Party, Kurdish Democratic Party, and two Iraqi Communist Parties (the Ittihad al Shaab and Mabda groups), under the new Law of Associations and Parties (see January 1).
- 25 Ministry of Foreign Affairs issues a White Paper entitled "Facts on the Iraqi-Iranian Borders".
- 31- Feb. 3 State Visit by Muhammad V of Morocco.

February

- 2 Application submitted for the formation of the Iraqi Islamic Party.
- 3 Application submitted for the formation of the Tahrir (Liberation) Party.
- 6 Objections raised by the Ministry of Interior to the programme of the Iraqi Communist Party (Ittihad al Shaab group) as a result of which the party name was now changed to Ittihad al Shaab Party.

February

- 9 National Democratic Party, Kurdish Democratic Party and Iraqi Communist Party (Mabda group) licensed with the expiry of the statutory period (see January 9).
- 9-11 Conference of Iraqi General Federation of Trades Unions (I.G.F.T.U.).
- 11 Application submitted for the formation of the Republican Party.
- 16 Ibrahim Kubba dismissed from his posts as Minister of Agrarian Reform and Acting Minister of Oil. Replaced by Brigadier Abdul Wahhab Amin and Muhammad Hadid, both in acting capacity.
- 24 Ministry of the Interior refuses to grant a licence to the Ittihad al Shaab Party (see February 6).
- 25 People's Court passes sentence on 78 people charged with attempting to assassinate Qasim on December 3, 1959. Objections raised by the Ministry of the Interior to the Republican Party programme (see February 11).

March

- 6 20 "fugitives"—who were alleged to have participated in planning and executing Mosul Revolt—summoned to appear before the People's Court within 10 days.
- 19 Trial of 20 "fugitives" before People's Court (see March 6).
- 24 Freedom Day: first anniversary of Iraq's leaving the Baghdad Pact.
- 26 Commutation of death sentences and reduction of prison sentences on 12 members of the old régime and Rashid Ali Gailani's two accomplices, announced on the occasion of the Id al Fitr.
- 29 Rejection by the Ministry of Interior of applications for the formation of the Tahrir and Republican Parties (see February 3 and February 11).
- 31 "Midnight Speech" by Qasim, at which he announced that the death sentences passed on five Ba'athists condemned for attempting to assassinate him, and one Communist would not be carried out that morning as originally intended.
- 31- April 3 Third Congress of the Iraqi Peace Partisans.

April

- 1 Rejection by the Ministry of Interior of the application for the formation of the Iraqi Islamic Party (see February 2).
- 2-5 State Visit of Dr. Sukarno, President of Indonesia.
- 3 Procession of Peace Partisans, watched by Qasim and Dr. Sukarno.
- 5 Signature of Trade, Cultural and Friendship Agreements with Indonesia.
- 8-16 Visit of Mr. Mikoyan, First Deputy Premier of USSR.
- 10-30 Soviet Industrial Exhibition.
- 16 Enrolment of first group of Palestine cadets at Reserve College.
- 17-20 State Visit of delegation from Algerian Republic, headed by Karim bel Qasim, Deputy Premier. Iraq agrees to make a grant of a further I.D.2 million to the Algerian Government.

CONFIDENTIAL

April

- 22 Beginning of official visit by Imam Ghalib ibn Ali, Imam of Oman, and Sulaiman Bin Himyar, Amir of the "Jabal Akhdhar".
- 23 Muhammad Hadid, Minister of Finance and Acting Minister of Oil, submits resignation from Government and also from membership of the National Democratic Party.
- 26 Resignation of Muhammad Hadid officially announced.
- 27 Release of General Ghazi al Daghistani and other members of the old régime sentenced by the People's Court. Statement by Iraqi General Federation of Trades Unions denouncing the boycott of *Cleopatra* by New York dockers.
- 28 Court of Cassation allows appeal of Iraqi Islamic Party against the refusal to grant it a licence (see April 1) but rejects appeal of Tahrir Party (see March 29).
- 20- May 7 Visit of Mr. F. J. Erroll, M.P., Minister of State, Board of Trade.

May

- 1 May Day Celebrations. Serious clash between Communists and Nationalists.
- 2 Departure of Imam of Oman.
- 3 Following Cabinet changes announced: Brigadier Muhiddin Abdul Hamid to be Minister of Industry; Brigadier Ismail Ibrahim Arif to be Minister of Education; Dr. Nazih al Dulaimi to be Minister of State; Abbas al Baldawi to be Minister of Municipalities; Hashim Jawad to be Acting Minister of Finance; Talat Shaibani to be Acting Minister of Oil.
- 3 Military Governor-General issues communiqué concerning the May Day incidents, blaming "the agents of imperialism". I.G.F.T.U. announces the boycott of all American ships (see April 27).
- 4 Publication of General Budget Law No. 58 of 1960: estimated income I.D.102,130,000, estimated expenditure I.D.116,151,918. Deficit of I.D.14,021,918 to be met by undefined economies.
- 5-6 Conference of the National Democratic Party. Supporters of Muhammad Hadid boycott the conference and the supervising judge declares the elections to be invalid.
- 5-11 Conference of the Kurdish Democratic Party.
- 7 Trial of Kadhim al Azzawi resumed, on charges of plotting to assassinate Qasim.
- 9 Signature of Iraqi-Moroccan Trade Agreement in Rabat.
- 10 End of boycott of American ships (see May 3).
- 11 Permission granted by the Ministry of Interior for the Iraqi Communist Party (Mabda group) to postpone its first conference for six months. People's Court passes sentences on the 20 "fugitives" (see March 19) and on Kadhim al Azzawi and his group.
- 17 Minister of Interior declares National Democratic Party elections invalid.
- 23 Court of Cassation holds N.D.P. elections to be valid. Kamil Chadirchi confirmed as Chairman of the Party.

May

- 25 Signature of Iraqi-Chinese Trade and Payments Agreement in Peking. Announcement that Soviet Union is ready to increase its loan under the Iraqi-Soviet Technical and Economic Co-operation Agreement by 180 million roubles.
- 31 Iraq recognises new Turkish Government.

June

- 10 So-called "independents" (i.e., Government nominees) defeat Communists in Railway Workers' Union election.
- 12 Trade discussions with Kuwait.
- 13 Exchange of ratifications of Anglo-Iraqi Cultural Agreement.
- 15-17 Second Congress of Iraqi Federation of Democratic Youth.
- 19 Signature by Iraq of United Nations Technical Assistance and Special Fund Agreements.
- 29 Muhammad Hadid submits application for formation of National Progressive Party. Reductions made in sentences imposed by Martial Courts.

July

- 14 Second anniversary of Iraqi Revolution. Large military parade.
- 15 Popular procession by various organisations. Minor clashes between Communists and Nationalists.
- 21 Qasim announces decision of Basra Petroleum Company to cease production at Rumaila, and cut it at Zubair.
- 25 Letter from B.P.C. published, announcing the partial resumption of production at Rumaila.
- 29 National Progressive Party granted licence (see June 29).

August

- 6 Signature of memorandum on the liquidation of the Baghdad Pact Nuclear Centre.
- 11 Departure of Colonel Mahdawi, President of the People's Court, on a tour of Communist countries.
- 13 Military Governor-General issues a notification to the Press calling for a halt to mutual recriminations and attacks.
- 15 Opening of negotiations between Iraqi Government and the Iraq Petroleum Company. Graduation of 62 Palestinian cadets from the Reserve College.
- 18 Signature of supplementary Iraqi-Soviet Economic and Technical Co-operation Agreement (see May 25).
- 24 Signature of Iraqi-Soviet Agreement on the construction of the Baghdad-Basra Standard Gauge Line.
- 29 Promulgation of Palestinian Liberation Army Law.

September

- 1 Departure for Moscow of Iraqi Military Mission, headed by Major-General Ahmad Salih al Abdi, Chief of the General Staff.
- 10-14 Founding meeting of the Organisation of Petroleum Exporting Countries (O.P.E.C.).

CONFIDENTIAL

October

- 1 Recognition of Iraqi Republic by Jordan. Martial Courts suspend *Ittihad al Shaab* (organ of the unlicensed Communist Party) and *Baghdad* (Nationalist newspaper) for 10 months, and sentence editors to three months' imprisonment. Both released next day on Qasim's orders.
- 5 *Al Hurriya* (the leading Nationalist newspaper) banned by the Military Governor-General.
- 8-19 Sixth Congress of the International Union of Students.
- 9 Elections for the General Federation of Peasants' Associations won by the National Progressive Party list.
- 15 Islamic Party publishes a memorandum in *Al Faiha* newspaper, strongly attacking the Government. Party's Executive Committee arrested.
- 21 Brigadier Abdul Wahhab Amin relieved of post of Minister of Social Affairs at own request. Replaced by Hassan Talabani in acting capacity.
- 23 Signature of Iraqi-Czechoslovak Economic and Technical Co-operation Agreement.
- 24 Military Governor suspends *Al Shabiba*, a Mosul newspaper used by the Communists as successor to *Ittihad al Shaab* (see October 1).
- 28 Return of Colonel Mahdawi (see August 11).

November

- 1 Large Nationalist demonstration on the occasion of Algeria Day.
- 5 Strike by Communist-controlled Cigarette Workers' Union, objecting to alleged manipulation of the union elections, and the employers' failure to accept the workers' demands. Troops fire on strikers barricaded in a factory, where they remained for over a week.
- 5-12 Visit of Jordanian delegation to discuss matters arising out of the recognition of the Iraqi Republic (see October 1).
- 7 Military Governor suspends *Sawt al Shaab*, successor to *Al Shabiba* (see October 24) and later another pro-Communist paper, *Al Thabat*.
- 10 A number of Communist lawyers and journalists arrested in connexion with cigarette workers' strike (see November 5).
- 12 Payment of second instalment of I.D.1 million to Algerian Government (see April 17).
- 12-13 Oil Workers' Union elections. Communists defeated by so-called "independents". Speech by Qasim at official opening calling on unions to keep out of politics.
- 15 The following Cabinet changes announced: Abdul Latif Al Shawwaf to be Governor of the Central Bank instead of Minister of Commerce; Nadhim Al Zahawi to be Minister of Commerce; Dr. Mudhaffar Hussain Jamil to be Minister of Finance;

November

- Hassan Rif'at to be Minister of Works and Housing; Awni Yusuf and Naziha Dulaimi to be relieved of their posts.
- 23 Conference of the National Democratic Party. Important speech by Kamil Chadirchi, describing the party's struggle against the old régime, and strongly criticising the present Government.
- 28 Cigarette Workers' Union elections re-held. So-called "independents" win again.

December

- 3 Safety and Rejoicing Day. First anniversary of Qasim's leaving hospital after the attempt to assassinate him. Large Government-organised procession.
- 9 Muhammad Salman, Director of the Arab League Petroleum Bureau, appointed Minister of Oil.
- 12 Arrival of Wasfi Tel, first Jordanian Ambassador to the Iraqi Republic.
- 26 First Martial Court issues sentences on 89 people charged with murder during the period of the crushing of the Shawwaf revolt in March 1959. Ten leading Mosul Communists sentenced to death.
- 28 First Martial Court issues final batch of sentences on cases concerning the Mosul revolt.

The Cabinet

(as on December 31, 1960)

Major-General Abdul Karim Qasim: Prime Minister and Acting Minister of Defence.
 Brigadier Ahmad Muhammad Yahya: Minister of the Interior.
 Dr. Mudhaffar Hussain Jamil: Minister of Finance.
 Hashim Jawad: Minister for Foreign Affairs.
 Brigadier Fuad 'Arif: Minister of Agriculture (Acting).
 Brigadier Isma'il Ibrahim 'Arif: Minister of Education.
 Shaikh Hasan al Talabani: Minister of Social Affairs (Acting).
 Major-General Muhammad al Shawwaf: Minister of Health.
 Mustafa Ali: Minister of Justice.
 Shaikh Hasan al Shaibani: Minister of Communications.
 Dr. Tal'at al Shaibani: Minister of Planning.
 Abbas al Baldawi: Minister of Municipalities.
 Hassan Rif'at: Minister of Works and Housing.
 Dr. Faisal al Samir: Minister of Guidance.
 Nadhim al Zahawi: Minister of Commerce.
 Brigadier Ahmad Muhammad Yahya: Minister of Agrarian Reform (Acting).
 Brigadier Muhiddin Abdul Hamid: Minister of Industry.
 Muhammad Salman: Minister of Oil.
 Brigadier Fuad 'Arif: Minister of State.

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No. 2

THE IRAQI ECONOMY DURING 1960

Sir Humphrey Trevelyan to Lord Home. (Received May 2)

41 E. Confidential) *Baghdad, April 20, 1961.*
 Lord,
 Most Iraqis consider, with some justification, that 1960 was a bad year for the Iraqi economy.

For the second year in succession the year was bad, partly because of drought conditions which were common throughout the Middle East in the winter of 1959-60, partly because of the continuing disinclination in agriculture resulting from agrarian reform. I am reporting separately on agricultural conditions in Iraq: it suffices to state here that in 1960 the fall in the harvest was probably as much as 50 per cent., with the consequence that large quantities of wheat had again to be imported and only very small quantities of barley were available for export. The fall in this in terms of foreign exchange was probably of the order of ID.15 million. The market suffered in consequence. Apart from the oil industry, the Iraqi economy is almost entirely agricultural and most of the purchasing power comes from the country. Owing to the poor harvest purchasing power was seriously reduced and the market correspondingly depressed.

The unduly restrictive import policy of 1959, which contributed to the inflationary conditions of that year was succeeded in 1960 by an over-liberal policy. Quotas for goods were generous and licences issued impartially to all applicants. Many of these were inexperienced and without understanding of the needs of the market; there was serious overstocking in many lines and some banks became temporarily over-extended. Figures just published show that in 1960 Iraq imported goods to a value of ID.140 million compared with the previous peak of ID.122 million in 1959. Part of this increase can be accounted for by wheat imports, but part due to the importation of goods which the market could not absorb. There was a running down of foreign exchange reserves. At the end of 1960 they stood at the equivalent of £91 million (including the currency cover) against £107 million at the end of 1959.

4. The consequences of increased Government expenditure, much of which was on unproductive items like defence, were also becoming apparent. Repayment of capital and interest on the Soviet arms loan is probably costing about ID.8 million a year. Development expenditure has probably been kept roughly in balance with revenue, but in the financial year 1959-60 expenditure in the ordinary budget exceeded revenue by ID.12 million or 14 per cent. We believe the Government was able to cover this out of accumulated reserves, but little or anything of these was left for the financial year 1960-61. As a result of this situation the Government was obliged in the latter part of 1960 to increase threefold their Treasury bill issues which had hitherto not exceeded ID.5 million.

5. The economy suffered also from the Government's manifest failure, in the eyes of nearly all Iraqis, to provide political stability. Certainly for much of 1960 the attitude of experienced Iraqi business men was that there was no point in trying to do business when the Government appeared to have no clear policy, when it swung from Right to Left and when it was impossible to say whether it would even survive.

6. 1961 has brought no drastic change in the situation described above. Nevertheless, if one can discount the temporary set-back to business confidence caused by the disorders in Baghdad two weeks ago, the economic prospects for 1961 seem brighter than for 1960. In recent months business men appear to have discounted to some extent the uncertainties of the political situation and to be more ready to do business. There are better hopes for the harvest. It is too early to assess the crop accurately, but the rainfall has been exceptionally favourable and at least in the non-irrigated areas, in many of which land reform is inoperative, planting seems to have been good. There is reasonable confidence that even if Iraq does not this year have a normal harvest, it will be much better than last year. Iraq's agricultural problems continue, but it is worth recording that at least in one respect the situation has

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November

- Hassan Rif'at to be Minister of Works and Housing; Awni Yusuf and Naziha Dulaimi to be relieved of their posts.
 - 23 Conference of the National Democratic Party. Important speech by Ka Chadirchi, describing the party's struggle against the old régime, and strongly criticising the present Government.
 - 28 Cigarette Workers' Union elections re-held. So-called "independents" win again.
- December
- 3 Safety and Rejoicing Day. First anniversary of Qasim's leaving hospital after attempt to assassinate him. Large Government-organised procession.
 - 9 Muhammad Salman, Director of the A League Petroleum Bureau, appointed Minister of Oil.
 - 12 Arrival of Wasfi Tel, first Jordanian Ambassador to the Iraqi Republic.
 - 26 First Martial Court issues sentences on people charged with murder during period of the crushing of the Shaw revolt in March 1959. Ten leading M.C. Communists sentenced to death.
 - 28 First Martial Court issues final batch sentences on cases concerning the M.C. revolt.

The Cabinet

(as on December 31, 1960)

Major-General Abdul Karim Qasim: Prime Minister and Acting Minister of Defence.
 Brigadier Ahmad Muhammad Yahya: Minister of the Interior.
 Dr. Mudhaffar Hussain Jamil: Minister of Finance.
 Hashim Jawad: Minister for Foreign Affairs.
 Brigadier Fuad 'Arif: Minister of Agriculture (Acting).
 Brigadier Isma'il Ibrahim 'Arif: Minister of Education.
 Shaikh Hasan al Talabani: Minister of Social Affairs (Acting).
 Major-General Muhammad al Shawwaf: Minister of Health.
 Mustafa Ali: Minister of Justice.
 Shaikh Hasan al Shaibani: Minister of Communications.
 Dr. Tal'at al Shaibani: Minister of Planning.
 Abbas al Baldawi: Minister of Municipalities.
 Hassan Rif'at: Minister of Works and Housing.
 Dr. Faisal al Samir: Minister of Guidance.
 Nadhim al Zahawi: Minister of Commerce.
 Brigadier Ahmad Muhammad Yahya: Minister of Agrarian Reform (Acting).
 Brigadier Muhiddin Abdul Hamid: Minister of Industry.
 Muhammad Salman: Minister of Oil.
 Brigadier Fuad 'Arif: Minister of State.

EQ 1103/4

No. 2

THE IRAQI ECONOMY DURING 1960

Sir Humphrey Trevelyan to Lord Home. (Received May 2)

(No. 41 E. Confidential) Baghdad,
 My Lord, April 20, 1961.

Most Iraqis consider, with some justification, that 1960 was a bad year for the Iraqi economy.

2. For the second year in succession the harvest was bad, partly because of drought conditions which were common throughout the Middle East in the winter of 1959-60, and partly because of the continuing disorganisation in agriculture resulting from Agrarian Reform. I am reporting separately on agricultural conditions in Iraq: it will suffice to state here that in 1960 the shortfall in the harvest was probably as much as 50 per cent., with the consequence that large quantities of wheat had again to be imported and only very small quantities of barley were available for export. The cost of this in terms of foreign exchange was probably of the order of ID.15 million. The market suffered in consequence. Apart from the oil industry, the Iraqi economy is almost entirely agricultural and most of the purchasing power comes from the countryside. Owing to the poor harvest purchasing power was seriously reduced and the market correspondingly depressed.

3. The unduly restrictive import policy of 1959, which contributed to the inflationary conditions of that year was succeeded in 1960 by an over-liberal policy. Quotas for most goods were generous and licences were issued impartially to all applicants. Some of these were inexperienced and without understanding of the needs of the market; there was serious overstocking in certain lines and some banks became temporarily over-extended. Figures just published show that in 1960 Iraq imported goods to a value of ID.140 million compared with the previous peak of ID.122 million in 1957. Part of this increase can be accounted for by wheat imports, but part was due to the importation of goods which the market could not absorb. There was some running down of foreign exchange reserves. At the end of 1960 they stood at the equivalent of £91 million (including the currency cover) against £107 million at the end of 1959.

4. The consequences of increased Government expenditure, much of which was on unproductive items like defence, were also becoming apparent. Repayment of capital and interest on the Soviet arms loan is probably costing about ID.8 million a year. Development expenditure has probably been kept roughly in balance with revenue, but in the financial year 1959-60 expenditure in the ordinary budget exceeded revenue by ID.12 million or 14 per cent. We believe the Government was able to cover this out of accumulated reserves, but little or anything of these was left for the financial year 1960-61. As a result of this situation the Government was obliged in the latter part of 1960 to increase threefold their Treasury bill issues which had hitherto not exceeded ID.5 million.

5. The economy suffered also from the Government's manifest failure, in the eyes of nearly all Iraqis, to provide political stability. Certainly for much of 1960 the attitude of experienced Iraqi business men was that there was no point in trying to do business when the Government appeared to have no clear policy, when it swung from Right to Left and when it was impossible to say whether it would even survive.

6. 1961 has brought no drastic change in the situation described above. Nevertheless, if one can discount the temporary set-back to business confidence caused by the disorders in Baghdad two weeks ago, the economic prospects for 1961 seem brighter than for 1960. In recent months business men appear to have discounted to some extent the uncertainties of the political situation and to be more ready to do business. There are better hopes for the harvest. It is too early to assess the crop accurately, but the rainfall has been exceptionally favourable and at least in the non-irrigated areas, in many of which land reform is inoperative, planting seems to have been good. There is reasonable confidence that even if Iraq does not this year have a normal harvest, it will be much better than last year. Iraq's agricultural problems continue, but it is worth recording that at least in one respect the situation has

improved. Export of dates from the current season's crop are expected to realise the equivalent of about £7.5 million, or twice as much as was achieved before the revolution, and steps are being taken to develop date exports further.

7. There has also been a substantial increase in development work and in building generally. For nearly two years after the revolution the Government let few new development contracts. Their negative attitude on claims arising out of old contracts, their unwillingness to improve contract terms particularly by including satisfactory provisions for arbitration and conditions generally in the country discouraged foreign civil engineering firms from putting in bids for the few new contracts which were tendered. Those who did quoted high prices to cover themselves against contingencies. The Government's reaction was to reject these tenders and few contracts were awarded. Since about the middle of 1960 the situation has changed. Contract terms are basically unaltered, but West German, Italian, Lebanese, Swedish, and even American (but, except for one contract no British) contracting firms have shown themselves willing to tender, covering the shortcomings in the contract terms by higher prices, which the Government appear to be willing to accept. Since the middle of 1960, large contracts to a total value of over ID.20 million have been let and other large ones have been, or are about to be, tendered. Iraqi contracting firms have shown increased activity and have taken on a number of small and medium-sized contracts and two or three large ones. Some smaller firms will probably come to grief, but others are doing extremely well. Building activity in the private sector has also revived and will be further encouraged by recent reductions in property tax and death duties.

8. All this is good for business and particularly for those local industries which make building materials, although there is still plenty of slack in the cement industry. A number of private industrialists have expanded or are expanding their plants. The labour situation is relatively easy and good profits are being made. The British Trade and Industries Mission which visited Iraq in February got the impression that those Government and private industry establishments which they visited were capably managed. Iraqis with money are now showing greater willingness to invest in new industries, particularly where some

Western firm is to supply the management and technical assistance.

9. Some positive steps have now been taken towards carrying out industrial projects in the Government sector. Thirteen of these are unfortunately covered by the Iraqi-Soviet Economic and Technical Co-operation Agreement. Although equipment for these will be supplied on 12 years' credit on the usual low Soviet interest rate of 2½ per cent, the Government are denied the advantage which international competition would give them in price, design and standard of equipment. Contracts for the first four of these Soviet projects—a cotton textile mill, and knit-wear, clothing and pharmaceutical factories—have now been signed. In addition to the projects in the Soviet Agreement, there are at least as many others open for international bids and consultancy contracts for a rayon plant and a paper mill have recently been let to Western firms. The Czechs are competing hard for participation in Iraq's industrial development. They are already supplying the equipment and technical assistance for a new shoe factory and have provided a line of credit of ID.12 million under an economic and technical co-operation agreement signed last year. They are not, however, on the same footing as the Russians, and at least in theory, have to compete on equal terms with other foreign firms both for consultancy and engineering contracts. They have recently secured consultancy contracts for a sugar mill, a hydro-electric power installation and an oil refinery.

10. An attempt is being made to put import licensing on to a more healthy basis. We cannot be sure of the results. The ideas are good, but the administrative capacity of the import licensing department is limited. The intention seems to be to cut the import bill below last year's high figure. Importation is to be restricted to established importers and all goods are to be subject to quota. Capital goods and raw materials will be licensed freely, but there will probably be some reduction in imports of consumer goods. Traditional British imports are unlikely to be seriously affected and there should be new opportunities for exports of capital goods to this market. The new licensing system is at present having some teething troubles, but these should ease if the authorities carry out their intention of operating their policy in a flexible manner. It is the Communist embassies who are complaining that the

preference given to established importers favours the traditional suppliers of this market.

11. Despite the fact that since 1959 the share of oil revenues devoted to the ordinary budget has been increased from 30 per cent. to 50 per cent, giving an increased yield of about ID.20 million, the budget is in deficit, though this will be masked by the advance payment of ID.18 million made by the I.P.C. at Qasim's request. Expenditure is relatively incompressible in present conditions. 30 per cent. of the ordinary budget goes on the services and Qasim is unlikely to let this be reduced. About 50 to 60 per cent. goes on Government salaries which also cannot be touched. The new Minister, Mudhaffar Hussain Jamil, has had practical experience in the Central Bank and has shown some signs of fighting for proper budgetary controls. By cutting expenditure in the last few months, he claims to have reduced the budgetary deficit to about half the original estimate of ID.14 million, although this may have been achieved partly by postponing expenditure into the next financial year. He has also made an effort to tackle the problem of redundancy in Government departments. He has introduced some measures of tax reform on which I have reported separately to the Department, which were badly timed but economically sound. There are rumours that the Government is short of cash and it is probably true that the end of the financial year has left them with very little in the till, particularly as by law the Government has to repay advances from the Central Bank by the 31st of March. But the advance Iraq Petroleum Company payment will have enabled them to do this without further issue of Treasury bills. There is at present no problem in the general budget which cannot be handled by careful management. The proportion of Treasury bill issues to revenue is at present only 15 per cent. and the currency is covered almost 100 per cent. by gold and foreign exchange.

12. The main weaknesses in the present economic situation are the failure to provide a proper organisation for agriculture. Qasim's apparent belief that Iraq has unlimited financial resources and the lack of sound economic planning. The provisional economic plan produced at the end of 1959 and covering the period from April 1959 to March 1963 was simply a compilation of bids by individual Ministries and made no attempt to determine priorities or

allocate resources. A committee working in the Ministry of Planning produced the outline of a five-year plan to run from the end of 1961 and to allocate resources fairly evenly to the four basic sectors—communications, agriculture, industry and housing and other social building. They recommended that unproductive projects such as the university, the new airport and the Um Qasr Port, for which a contract has just been let, should be postponed. Their plan was shelved by the Government. The Minister of Finance has told me that a new permanent economic plan will nevertheless be approved within a month or so. But as long as Qasim remains Prime Minister, priorities are likely to be determined by his whim rather than by economic considerations.

13. With development revenue running at only ID.50 million per annum and with so much to do in the basic sectors of the economy, it makes little sense to plan expenditure of about ID.90 million over the next few years on a university, a civic centre and four large hospitals. It is, however, grandiose schemes of this sort that Qasim favours for prestige reasons. The result is likely to be a shortage of funds for essential projects and increased temptation to take long-term credits of the sort which only the Soviet *bloc* can provide and which will tie Iraq to the *bloc* for a much greater part of her economic development than is at present the case. Qasim is prone to yield to this sort of temptation or to Russian pressure as was shown by his acceptance of an additional line of credit of ID.17 million to finance the conversion of the Baghdad-Basra railway to standard gauge. He has decided that all rolling stock for the converted railway should be bought from the Soviet Union (or perhaps from a satellite country through Soviet finance), but the Railway Administration have been resisting this decision and the outcome is still uncertain.

14. The planning of particular industries also is defective. The tendency is to try to set up factories to manufacture goods of which Iraq is a large importer without sufficient regard to cost. New private industries will get protection through restriction or prohibition of imports. This will lead to a high cost of production and high prices of some essential goods, and could cause serious discontent. There is already a feeling among the working classes that the revolution has brought them little benefit. Wages have gone up, in some

cases by as much as 80 per cent., but this increase has been at least partially offset by the increase in the cost of living, and some people are worse off because of unemployment. The Government has launched no working-class housing schemes (apart from those sponsored by the Basra Port, the railways and some Government industrial establishments). By contrast the army is seen to have won greatly increased material privileges, and, apart from those landowners who have been affected by land reform, few Iraqis who had money before the revolution, have suffered any noticeable diminution in their wealth or standard of living.

15. By Western standards the Iraqi economy cannot be regarded as healthy, but it has survived the muddles and mistakes of the past 2½ years and can continue to do so for some years to come so long as it is still underpinned by oil revenues. These are now running at about ID.100 million a year and per head of population are already three times as much as in Iran. The only doubt is whether Qasim's intransigent attitude to the negotiations with Iraq Petroleum Company will affect the level of oil production. His recent suspension of exploration will undoubtedly affect the planned increases of production. There is a remarkable prospect that in 1961 the level of economic activity will be higher

than in any year since the revolution. Some of the increase will be due to expenditure which is unwise by proper planning standards, but it is better for Iraq that economic activity should expand in this fashion than that it should stagnate as in the first two years after the revolution. Expansion will provide employment, put money into circulation and generally increase confidence. The prospects for trade are good, but competition will be greater and there will be more emphasis on capital goods and raw materials for industry. But any estimate of the progress of Iraq's economy must be affected by internal political conditions. Since they continue to be unstable and the course of political developments remains obscure, speculation about the future of Iraq's economy must continue therefore to be cautious.

16. I am copying this despatch to Her Majesty's Ambassador at Washington, the Commercial Relations and Exports Department of the Board of Trade, Her Majesty's Treasury, the Export Credits Guarantee Department, the Bank of England, the Political Representative, Near East Command (Cyprus), and the Head of the Middle East Development Division in Beirut.

I have, &c.

HUMPHREY TREVELYAN.

E 1074/2

No. 3

IRAQ'S POLICY IN INTER-ARAB RELATIONS

Sir Humphrey Trevelyan to Lord Home. (Received May 2)

(No. 43. Confidential)

Baghdad,

My Lord,

April 26, 1961.

I have recently reported to the Department some comments made to me by the Iraqi Foreign Minister on his policy in inter-Arab relations. The following are some further comments in the light of this, on recent developments in the Arab scene. For the first time since the Revolution the Arab Foreign Ministers and the Arab League Economic Council have met in Baghdad. For the first time since the break between Tunis and Cairo, on Iraqi initiative, the Tunisian Foreign Minister has attended an Arab League meeting. King Hussain and President Nasser have exchanged letters, the Syrian-Iraqi frontier has been opened by the Iraq Government (at least Qasim has announced it) and direct radio attacks by one Arab State against another have virtually ceased. It looks as if the Arab Development Organisation has a good chance of getting under way and agreement in principle has been expressed by the majority of Arab States to the establishment of an Arab Air Line and an Arab Tanker Company.

2. How far does all this inter-Arab activity denote a real improvement in relations and a real advance towards Arab unity? From the viewpoint of Baghdad, at any rate, it appears that this is more tactical manoeuvring than a real change in Arab relations. Attention has rightly been directed to Muhammad Hassanain Haikal's article in *Al Ahram* on March 10, entitled "The new spring offensive", in which the same question is asked. Haikal's conclusion is that there has been no real change in inter-Arab relations and that Cairo, as the vanguard and foundation of the Arab Liberation Movement, faces a new offensive by imperialism. According to his thesis, the imperialists are deliberately encouraging inter-Arab friendship with a view to containing Arab nationalism, an attempt to kill by kindness. The vigour and leadership of the United Arab Republic is to be diluted by Qasimite opportunism and Jordanian Hashemitism. The United Arab Republic is to be paralysed, the movement of the Arab vanguard is to be halted and the policies on

which the "Liberation Movement" rests are to be destroyed. The technique is to halt the clash between the Arab States and then to erect a cordon or blockade. The author states that he is not opposed to Arab solidarity, but that it should be the solidarity of the peoples (i.e., the Nasserite factions in each State). This thesis, which is clearly Nasser's present line of thought, is reflected in Nasser's message to King Hussain. He wrote that the divisions and disputes between the Arab States were not superficial: they were derived from the facts of the contemporary Arab situation. The solidarity of the Arab States was vital, but it must emanate from an understanding of the Arab situation: it should not be a façade which, while deceiving the Arabs, would not deceive their enemies, and it should not have the effect of freezing the potentialities of the Arab drive or restricting the movement of the Arab vanguard. The U.A.R. was placed by fate at the head of the Arab struggle and was made its base. The role of the vanguard was not leadership but the position of danger. The base was not a base for domination but a base for service.

3. Nasser's thesis, though slanted for his own purpose and with the inevitable introduction of imperialism, is not so far wide of the mark. As I have reported, Hashim Jawad has described Iraqi inter-Arab policy to me as being to promote Arab solidarity through the Arab League in such a way as to contain Nasser's ambitions and make it impossible for him to pursue his aim of dominating the Arab world. It has been clear since the meeting of the Arab Foreign Ministers in Beirut in the spring of 1959 that Nasser could not call on the Arab States in general to oppose Iraq, even when they all believed that Iraq was near Communism, and the course of events in the last two years has shown that fears in most of the Arab States of Nasser's ambitions and plots have grown to an extent which would make these States welcome a policy of containment of Nasser within a respectable framework of Arab nationalism. Iraq's rapprochement with Jordan and sponsorship of Tunisia's re-entry into the Arab League was presumably designed to

strengthen the anti-Nasser forces in the League in pursuance of such a policy. Such in any case was the interpretation of these moves by the Iraqi Pan-Arab Nationalists. King Hussain's initiative in writing to Nasser was undoubtedly welcome to the Iraq Government, since it concurred with their general aims, and they must have been encouraged by the relative success of the two Arab League Meetings held in Baghdad, as steps towards building an apparent if not solid framework of Arab co-operation on a basis which excluded Nasserite domination. A further sign of the at least temporary tactical success of this policy is the meeting of Commanders-in-Chief or their representatives now being held in Egypt, which Hassouna tells me is the first such meeting since 1953.

4. But all this is only the manoeuvring of the players in the Arab game. It is as yet only the appearance of solidarity and there are still plenty of signs that the old suspicions and enmities persist. Heikal's attack in the March 10 article on Iraqi-Jordanian policy, for instance, was replied to by Qasim in a speech at the Id in which he attacked Nasser's attempts at domination of the Arab world in scarcely veiled terms. Mahmud Fawzi, the U.A.R. Foreign Minister, did not call on Qasim when he was in Baghdad and in retaliation Qasim did not appear at the U.A.R. National Day Party. The Iraqis certainly do not believe that Nasser has given up plotting against Qasim. It is significant that there has been no exchange of Ambassadors or restoration of the two Embassies to their former size, probably largely from the fear on both sides, justified by past experience, that Arab Embassies are the centres of plotting. To an observer in Baghdad, the immediate question in Jordan appears to be whether King Hussain can, by his conciliatory approach to Nasser, improve his own position and draw Nasser's fangs, or whether, on the contrary, his action will so strengthen the Nasserite forces in Jordan as to undermine his own security. Wasfi Tel, the Jordanian Ambassador in Baghdad, that fanatical anti-Nasserist, believes that King Hussain has been pushed into his corres-

pondence with Nasser by people who were frightened by Hazza Majali's murder and are intent on the appeasement of Nasser to the probable detriment of Jordanian independence, and regards the subsequent Nasserite demonstrations in Jordan as a warning sign. The extreme Iraqi Nationalists have passed the Heikal article from hand to hand. They remain strongly critical of the Iraqi rapprochement with Jordan and sponsorship of Tunisia's reappearance on the scene and in general subscribe to the U.A.R. thesis, but they are naturally inhibited by being unable to take a position against the manifestations of Arab solidarity achieved with the support or even on the initiative of the Iraq Government.

5. The developments in Arab alignments are not the result of an imperialist plot, but are generally in accordance with our interests, which are that the Arab world should neither become Communist (by far the greatest danger to us) nor wholly subordinate to Cairo. A balance between the two poles, Cairo and Baghdad, if it could be achieved would suit us and help the other Arab States, including Kuwait and the Gulf Shaikhdoms, to maintain their independence. We cannot expect that the present uneasy balance between the conflicting Arab forces will in the foreseeable future be anything but unstable, with an inefficient and unpopular dictator in Iraq, unable to consolidate his own position in the country, a doubtful security position in Jordan and, above all, the perennial uncertainties of the Syrian garden in which, as the Arabs say, anything can grow. But, aided by the permanent facts of geography, it may well last much longer than we would ever dare to predict.

6. I am sending a copy of this despatch to Her Majesty's Representatives in the Arab States and Her Majesty's Ambassador in Washington, to the Political Representative, Near East Command (Cyprus), the Political Adviser to the Commander-in-Chief, Middle East Command (Aden), and the United Kingdom Delegation, NATO.

I have, &c.

HUMPHREY TREVELYAN.

EQ 1015/62

No. 4

PROFESSIONAL ASSOCIATIONS' MEMORANDUM TO THE PRIME MINISTER

Sir Humphrey Trevelyan to Lord Home. (Received 9 May)

(No. 47. Confidential)
My Lord,

Baghdad,
4 May, 1961.

On the 26th of April the Presidents of the Lawyers' Association, the Teachers' Association, the Engineers' Association and the Medical Association visited the Prime Minister bringing with them a Memorandum which sharply attacked the Government for being untrue to the principles proclaimed after the revolution and for ruling the country by martial law. After reciting the many evils which had resulted, the Memorandum made certain specific demands which may be summarised as follows:

- (i) martial law and military courts to be abolished;
- (ii) those who gave orders to shoot during the recent strikes to be put on trial and the families of those killed or injured to be compensated;
- (iii) students and others detained without charges to be released; those charged to be tried by civil courts;
- (iv) urgent action to deal with the deteriorating economic situation;
- (v) Iraqis to be allowed to travel to Arab countries without restriction, and the raising of restrictions on trade;
- (vi) a committee to be formed to draft a new Constitution followed by the formation of a consultative assembly to approve the Constitution and hand over power to the new Government.

The full text of the Memorandum is attached as an Appendix.⁽¹⁾

2. All four Presidents are Nationalists who advocate an independent Iraq linked to other Arab States. Dr. Muhammad Nasir (Leading Personalities 1960, No. 149), the President of the Teachers' Association, Abdul Razzaq Shabib (Leading Personalities 1960, No. 37), the President of the Lawyers' Association, and Adib al Jadr, President of the Engineers' Association, have come up against Qasim on several occasions. Dr. Ahmad Kamal Arif the President of the Medical Association is less well known. He is in full agreement with the Memorandum, but the doctors, in general, seem less enthusiastic than the other professions.

3. The proposal to present a Memorandum of this kind has been discussed within the four Professional Associations for a month or two and a draft was actually under consideration by their Committees when the petrol strike and the serious disturbances which followed brought matters to a head. A final draft was then prepared by the Presidents of the Associations.

4. The Prime Minister, who was well aware of these discussions, said that he was willing to see the four Presidents. They had prudently rehearsed their tactics beforehand and, after packing suitcases in case they would be needed either in prison or for a sentence of banishment from Baghdad, they endured a four-hour meeting with Qasim. As usual on such occasions the Prime Minister's mood changed sharply during the interview. Sometimes he was prepared to have a reasonable discussion but, mostly he talked about his own past life and his grandiose but vague plans for the future of Iraq. Once or twice he bitterly attacked the four Presidents and their friends—"the intellectuals" who, he said, represented no more than 5 per cent of the population of Iraq. He asked them by what right they claimed to demand constitutional government and said that there was no general wish for a Constitution. Ninety-five per cent of the people, he asserted, supported the Government and their Leader.

5. In order to prevent too violent an outburst the four Presidents had agreed beforehand not to read out the Memorandum, although Qasim kept

⁽¹⁾ Not printed.

demanding that they should do so. They gave the whole substance of it orally and said they would leave it with him to study. Qasim said that he would not accept it on these terms, but before they left they contrived to leave the Memorandum on his table.

6. In taking the courageous step of presenting Qasim with such a strongly critical Memorandum the four men had no real expectation of influencing him. According to Dr. Ahmad Kamal Arif their principal object was to proclaim their views about the seriousness of the present situation and the steps needed to remedy it.

7. It is not surprising, considering that most members of the four Associations are Nationalists of one sort or another, that the Memorandum is similar to the Nationalist Front Manifestos which have been appearing during the last month. But the Memorandum has been more clearly and precisely drafted. There are references to the Government's failure to bring Iraq closer to other Arab States, but this passage is not so strongly worded as in some of the Nationalist Manifestos and takes account of the fact that Qasim has recently opened the border with Syria. There are no detailed constitutional proposals, but the Professional Associations have strongly criticised the recent party bickering and manoeuvres between Kamil Chaderchi and others in the National Democrat Party and the ultimate aim of those who drafted the Memorandum may well be a kind of National Assembly on the model of the United Arab Republic. But all this is in the future. The immediate objective is the ending of martial law and the return of normal civil freedoms and justice.

8. A week has now passed and, although the contents of the Memorandum and the exchanges that took place at the interview have become well known in Baghdad, no action has yet been taken against the four Presidents. Indeed, Abdul Razzaq Shabib has already left for Cairo, and Dr. Ahmad Kamal Arif is due to attend the Arab Medical Congress there in a week or so. It is quite likely that the Prime Minister will not wish—or will not dare—to take action against the four Presidents. He may hope to divide them later and then deal with them separately, or to encourage dissident movements within the associations. On the other hand, it seems most unlikely that he will accept their advice. He may genuinely believe that he can safely ignore the views of the four Professional Associations on the ground they only represent a small fraction of the population. It is not the first time that Memoranda have been presented to the Government by Teachers and other Professional Associations and they have generally been left unanswered. So long as Qasim thinks that he can count on the support of the army which is unlikely to be much interested in a Memorandum calling for the abolition of martial law, and believes that he is the divinely inspired leader of 95 per cent of the people of Iraq, he will not take the Memorandum very seriously.

9. But the presentation of this Memorandum so soon after the serious disturbances of last month is of importance. The authors have laid themselves open to the criticism that the Professional Associations ought to keep out of politics and this criticism has been made but the four Associations are the leading professional bodies in Iraq and the Memorandum expresses in moderate terms the feelings of most thinking Iraqis. For the first time, the leaders of these Professional Associations have told the Prime Minister to his face that he has been untrue to the principles of the revolution, and have demanded the return of personal liberty and judicial freedom. Whatever may be the eventual outcome of this gesture, it is one more sharp indication of the way in which the Prime Minister has forfeited almost all the support of educated Iraqis.

10. I am sending copies of this despatch to Her Majesty's Representatives in Washington, Beirut, Cairo, Amman and Bahrain, to the Political Representative with the Near East Command (Cyprus) and to Her Majesty's Consul-General in Basra.

I have, &c.

HUMPHREY TREVELYAN.

Q 1532/204

No. 5

RECORD OF A MEETING WITH THE BRITISH OIL COMPANIES IN THE FOREIGN OFFICE AT 3.45 p.m. ON SEPTEMBER 20, 1961

Present:

The Lord Privy Seal	Mr. J. H. Loudon (Shell)
Sir Frederick Hoyer-Millar	Mr. H. Wilkinson (Shell)
Sir Roger Stevens	Mr. P. M. Dowson (Shell)
Mr. M. T. Flett	Mr. M. R. Bridgeman (B.P.)
Mr. P. S. Milner-Barry	Mr. G. G. Stockwell (B.P.)
Mr. G. F. Hiller	
Mr. P. J. E. Male	

Iraq Oil

The Lord Privy Seal thanked the oil company representatives for attending and explained the political background in Iraq against which it had been thought necessary both to propose this meeting and to ask that the companies' representative in Baghdad should meanwhile move warily at this time. In further discussion the following topics were considered:

- Tactics for the resumption of negotiations, including the shareholding companies' latest offer.
- Whether the negotiations were likely to succeed.
- The practical effects of conceding share participation, and the general pressure for this.
- Possible Iraqi action if negotiations failed, and the possible reactions of the companies.
- Presentational aspects of a breakdown in negotiations.

Tactics for the Resumption of Negotiations, and the Shareholding Companies' Latest Offer

2. Mr. Loudon said that Mr. Fisher had been sent to Baghdad ahead of the main delegation in the hope that he would be able in private discussion both to convey explicitly the fact that the companies could concede neither share participation in the existing venture nor an alteration in the 50:50 profit split; and to elicit whether, in view of this decision, there was any prospect of further useful negotiation. Mr. Bridgeman thought that Mr. Fisher's mission was a forlorn hope and was personally convinced that the Iraqis would not negotiate on other terms. Meanwhile he suspected that the full delegation would be invited back to Baghdad to convey these decisions to Qasim to spare Salman the attractive task.

3. Mr. Bridgeman said that Mr. Fisher had with him a memorandum explaining why the companies could not afford to pay more to the Iraqi Government, no matter whether as a consequence of conceding share participation in existing production or by reason of an alteration in the 50:50 profits ratio or the level of posted prices.

4. Mr. Wilkinson said that the offer that Mr. Fisher was authorised to make in participation with the Iraqis in all of the I.P.C.'s retained area except current production was revolutionary. Mr. Bridgeman agreed but doubted whether even this would satisfy Qasim. Mr. Loudon commented that the same offer would have to be made in other countries once it had been made in Iraq. Mr. Bridgeman said that so far Mr. Fisher had not made the offer in terms but had hinted that something of the type was available. As a matter of negotiating tactics with Qasim it was dangerous to formulate specific offers unless there were a reasonable chance of their acceptance.

demanding that they should do so. They gave the whole substance of it orally and said they would leave it with him to study. Qasim said that he would not accept it on these terms, but before they left they contrived to leave the Memorandum on his table.

6. In taking the courageous step of presenting Qasim with such a strongly critical Memorandum the four men had no real expectation of influencing him. According to Dr. Ahmad Kamal Arif their principal object was to proclaim their views about the seriousness of the present situation and the steps needed to remedy it.

7. It is not surprising, considering that most members of the four Associations are Nationalists of one sort or another, that the Memorandum is similar to the Nationalist Front Manifestos which have been appearing during the last month. But the Memorandum has been more clearly and precisely drafted. There are references to the Government's failure to bring Iraq closer to other Arab States, but this passage is not so strongly worded as in some of the Nationalist Manifestos and takes account of the fact that Qasim has recently opened the border with Syria. There are no detailed constitutional proposals, but the Professional Associations have strongly criticised the recent party bickering and manoeuvres between Kamil Chaderchi and others in the National Democrat Party and the ultimate aim of those who drafted the Memorandum may well be a kind of National Assembly on the model of the United Arab Republic. But all this is in the future. The immediate objective is the ending of martial law and the return of normal civil freedoms and justice.

8. A week has now passed and, although the contents of the Memorandum and the exchanges that took place at the interview have become well known in Baghdad, no action has yet been taken against the four Presidents. Indeed, Abdul Razzaq Shabib has already left for Cairo, and Dr. Ahmad Kamal Arif is due to attend the Arab Medical Congress there in a week or so. It is quite likely that the Prime Minister will not wish—or will not dare—to take action against the four Presidents. He may hope to divide them later and then deal with them separately, or to encourage dissident movements within the associations. On the other hand, it seems most unlikely that he will accept their advice. He may genuinely believe that he can safely ignore the views of the four Professional Associations on the ground they only represent a small fraction of the population. It is not the first time that Memoranda have been presented to the Government by Teachers and other Professional Associations and they have generally been left unanswered. So long as Qasim thinks that he can count on the support of the army which is unlikely to be much interested in a Memorandum calling for the abolition of martial law, and believes that he is the divinely inspired leader of 95 per cent of the people of Iraq, he will not take the Memorandum very seriously.

9. But the presentation of this Memorandum so soon after the serious disturbances of last month is of importance. The authors have laid themselves open to the criticism that the Professional Associations ought to keep out of politics and this criticism has been made but the four Associations are the leading professional bodies in Iraq and the Memorandum expresses in moderate terms the feelings of most thinking Iraqis. For the first time, the leaders of these Professional Associations have told the Prime Minister to his face that he has been untrue to the principles of the revolution, and have demanded the return of personal liberty and judicial freedom. Whatever may be the eventual outcome of this gesture, it is one more sharp indication of the way in which the Prime Minister has forfeited almost all the support of educated Iraqis.

10. I am sending copies of this despatch to Her Majesty's Representatives in Washington, Beirut, Cairo, Amman and Bahrain, to the Political Representative with the Near East Command (Cyprus) and to Her Majesty's Consul-General in Basra.

I have, &c.

HUMPHREY TREVELYAN.

EQ 1532/204

No. 5

RECORD OF A MEETING WITH THE BRITISH OIL COMPANIES IN THE FOREIGN OFFICE AT 3.45 p.m. ON SEPTEMBER 20, 1961

Present:

The Lord Privy Seal	Mr. J. H. Loudon (Shell)
Sir Frederick Hoyer-Millar	Mr. H. Wilkinson (Shell)
Sir Roger Stevens	Mr. P. M. Dowson (Shell)
Mr. M. T. Flett	Mr. M. R. Bridgeman (B.P.)
Mr. P. S. Milner-Barry	Mr. G. G. Stockwell (B.P.)
Mr. G. F. Hiller	
Mr. P. J. E. Male	

Iraq Oil

The Lord Privy Seal thanked the oil company representatives for attending and explained the political background in Iraq against which it had been thought necessary both to propose this meeting and to ask that the companies' representative in Baghdad should meanwhile move warily at this time. In further discussion the following topics were considered:

- (a) Tactics for the resumption of negotiations, including the shareholding companies' latest offer.
- (b) Whether the negotiations were likely to succeed.
- (c) The practical effects of conceding share participation, and the general pressure for this.
- (d) Possible Iraqi action if negotiations failed, and the possible reactions of the companies.
- (e) Presentational aspects of a breakdown in negotiations.

Tactics for the Resumption of Negotiations, and the Shareholding Companies' Latest Offer

2. Mr. Loudon said that Mr. Fisher had been sent to Baghdad ahead of the main delegation in the hope that he would be able in private discussion both to convey explicitly the fact that the companies could concede neither share participation in the existing venture nor an alteration in the 50:50 profit split; and to elicit whether, in view of this decision, there was any prospect of further useful negotiation. Mr. Bridgeman thought that Mr. Fisher's mission was a forlorn hope and was personally convinced that the Iraqis would not negotiate on other questions. Meanwhile he suspected that the full delegation would be invited back to Baghdad to convey these decisions to Qasim to spare Salman the unattractive task.

3. Mr. Bridgeman said that Mr. Fisher had with him a memorandum explaining why the companies could not afford to pay more to the Iraq Government, no matter whether as a consequence of conceding share participation in existing production or by reason of an alteration in the 50:50 profits ratio or in the level of posted prices.

4. Mr. Wilkinson said that the offer that Mr. Fisher was authorised to make (participation with the Iraqis in all of the I.P.C.'s retained area except current production) was revolutionary. Mr. Bridgeman agreed but doubted whether even this would satisfy Qasim. Mr. Loudon commented that the same offer would have to be made in other countries once it had been made in Iraq. Mr. Bridgeman said that so far Mr. Fisher had not made the offer in terms but had hinted that something of the type was available. As a matter of negotiating tactics with Qasim it was dangerous to formulate specific offers unless there were a reasonable chance of their acceptance.

Whether the Negotiations Were Likely to Succeed

5. *Mr. Bridgeman* said that if the negotiations broke down this would be an Iraqi decision. If *Mr. Fisher* were asked whether the companies would concede share participation in existing production he could certainly not prevaricate, bearing in mind that the negotiations were now in their third year. He would have no option but to answer "no", for any hesitation would imply that a different answer was at least possible, would encourage the Iraqis to keep up their pressure and might suggest to them that they should seek to get Governments to exert political pressure on the shareholders. No one wanted a break to occur. But even so, and despite the Kuwait situation, there could be worse times for this to happen. For example the supply position (in the present state of world oil) could be safeguarded by the diversion of tankers. It was improbable that neighbouring countries or O.P.E.C. would support the Iraqis. Qasim moreover would be likely to be careful at this stage not to damage his revenues.

The Practical Effects of Conceding Share Participation and the General Pressure for this

6. *The Lord Privy Seal* enquired what was the intellectual justification for the companies' position in offering share participation in future ventures but in refusing to concede it in current production. *Mr. Wilkinson* compared Shell's attitude to share participation in its Kuwait off-shore concession and its attitude to the question in the I.P.C. In the former case Shell had voluntarily offered share participation. But this was a new agreement and a new concession, and Shell had therefore been able to take the value of the offer into account in the overall bargain. The I.P.C. however, were faced with a re-arrangement under compulsion. It was not necessarily a good or apposite argument that the oil companies were continually re-arranging the terms of their concessions. Provisions for the relinquishment of areas, for example, were now a common feature in oil concessions; hence it was right now to change the I.P.C. concession—as was proposed—to provide for relinquishment.

7. *Mr. Bridgeman* agreed that there was no easy defence on the intellectual or demagogic plane especially if one sought to examine simultaneously the questions of principle and of practice. For obvious reasons, it was dangerous tactically to make a firm and valuable offer conceding the principle unless there were some likelihood of reaching a definitive agreement incorporating the substance of the practical offer. If there were such a possibility then—and provided the price was right—he thought that B.P. for its part would be ready to concede share participation. (He doubted, however, that the French interests in the I.P.C. would agree.) In fact, however, the position was that the Iraqis had indicated that they would pay compensation only at par. This would be absurd. By extension, Kuwait would then have a claim to purchase 20 per cent. of the Kuwait Oil Company equity for £50,000. Moreover once the offer had been made, and the principle conceded, the company negotiators would find themselves in the same position as over relinquishment, where Qasim, the principle once conceded, had continued to inflate his demands. Against this background, *Mr. Bridgeman* was far from confident that other shareholders would even be prepared to admit the principle, whatever assurance was given about adequate price.

8. *The Lord Privy Seal* suggested that in normal business relationships the problem of making room would be met by the negotiation of a new agreement on economically rational terms. There was, however, no likelihood that the Iraqis would behave rationally. *Mr. Loudon* foresaw the possibility that the Iraqis would continue to increase their demands under a hypothetical new agreement covering the existing I.P.C. production until they had effective control of the enterprise. On the other hand, there were educational advantages in offering them participation in new acreage: they would have to put up risk capital, and would learn some of the facts of the industry in the process.

9. In answer to a question about an Iraqi share in management, *Mr. Bridgeman* said that the Iraqis had appointed one Director from 1925-40 and two thereafter. These nominees had access to the I.P.C.'s budget and expenditure estimates but no effective control of operations, since they were not shareholders—and in the last analysis, the operations of the I.P.C. were designed to meet the shareholders' programmes for marketing oil, and these programmes were obviously confidential to each shareholder.

10. *The Lord Privy Seal* enquired if it was likely that demands for share participation would spread. *Mr. Wilkinson* thought they inevitably would if Iraqi claims were satisfied. But if the position were held in Iraq, it was likely to be safeguarded elsewhere. (It would of course remain necessary to offer share participation in new concessions.) The oil company representatives could think of no country other than Iraq in which at this time there was a serious demand for share participation in existing production.

Possible Iraqi Action if Negotiations Failed, and the Possible Reaction of the Companies

11. *The Lord Privy Seal* asked how the Companies saw the situation if negotiations broke down. *Mr. Loudon* conjectured that Qasim might well decree that all but the producing areas were to be taken back by the Iraqi State. He might also declare an alteration in the profit norm. But it was unlikely, given the Iranian lesson, that Qasim would nationalise the industry.

12. *Mr. Bridgeman* agreed with the first two courses suggested. He thought that Qasim might in addition legislate on some other questions for appearance's sake rather than practical result—e.g., on the acquisition of shares in the I.P.C., with perhaps particular reference to the French shareholding. It was also possible (as the *Compagnie Française des Pétroles* thought) that he might act differently towards the associated companies, e.g., by nationalising the Basra Petroleum Company, but not the I.P.C. *Mr. Bridgeman* was confident that in the event of nationalisation the Iraqi Government could not acquire from Italian or any other sources the 400 technicians (speaking English and Arabic) necessary to replace I.P.C. staff. But it might not be difficult for the existing Iraqi staff, with some outside assistance, to maintain operations on a care and maintenance basis.

13. *The Lord Privy Seal* enquired what action the companies expected to take if Qasim's reactions to a break upset the present basis of operations. *Sir Roger Stevens* predicted two situations: one in which the Iraqis prevented the lifting of oil and one in which their actions were such as to lead the companies to consider turning off the supply themselves. In either situation *Mr. Bridgeman* thought that the companies' first recourse would be to their legal advisers. They would, of course, keep in touch with Her Majesty's Government. *Mr. Loudon* was certain that the most careful consideration would have to be given to the companies' response to Iraqi pressure as it developed. There were a number of steps the I.P.C. could take short of ceasing production. They might, for example (if faced with, say, new profit-split legislation) continue to produce the oil but to pay for it at the existing 50:50 rate. *Mr. Bridgeman* agreed that it was unlikely that the shareholders would allow the I.P.C. to cease production without first exhausting other possibilities: arbitration, reduced liftings, payment at existing rates rather than enhanced rates—and even, though this was unlikely, an alteration to proposed prices. A further reason why it was likely that the I.P.C. would continue production for as long as possible was the anxiety of C.F.P. to continue to have access to Iraqi oil.

Presentational Aspects of a Breakdown in Negotiations

14. There was no doubt that the presentation of the oil companies' viewpoint if a break occurred would be very difficult, given that the companies' wider interests inhibited them from disclosing, for example, the very important concession on share participation they would have been prepared to offer as part of a genuine package. *Sir Roger Stevens* wondered whether the public stance could concentrate on the fact that the companies had no objection to share-participation except in existing ventures. *Mr. Flett* thought that the difficulties of presentation would be considerably increased if the Iraqis could maintain that negotiations had not even touched the question of the price to be paid for an Iraqi shareholding. *Mr. Bridgeman*, with reference to the price aspect, suggested that it was up to the Iraqis, as presumably eager buyers, to follow the normal commercial practice and make their bid. They had not done this. *Mr. Wilkinson* discussed the recognised methods of assessing the capital value of an enterprise. Were any such methods used to calculate the capital value of the I.P.C. an enormous sum—certainly not less than (by Shell calculations) £154 million for a 20 per cent. share—would emerge. It would be ludicrous to take the calculation the next logical step—Middle East Governments simply did not have the resources to buy shares in going concerns at real valuations.

15. Mr. Bridgeman agreed. He thought it would be fatal for the companies to say that they would sell a share in the I.P.C., but, speaking personally, he wondered whether a third party—say an Ambassador in Baghdad (and preferably not the British Ambassador as United Kingdom interests were too closely involved)—might ask the Iraqis whether they would pay for a share in I.P.C. at an approved valuation reached by approved commercial methods. This admittedly would be a very dangerous tactic and would need to be carefully examined. Mr. Bridgeman cited two practical difficulties if Iraqi participation came about. If, for example, I.P.C. were to be reconstituted as a profit-making company the process would involve the re-negotiation of the delicately balanced inter-shareholding arrangements; and moreover such a change would open the French and the United States participants to double taxation, causing them no doubt to recast their programme of liftings from Iraq. Were the company structure on the other hand left basically as at present, and the Iraqis paid their 20 per cent. dividend in oil, the chances were that the other shareholders would have no option but to buy this oil back at posted prices and therefore inevitably lose money in the process. Mr. Loudon had no doubt that there were three major issues at risk in the share participation problem: the structure of existing oil agreements; the Western world's oil supply system; and the contribution made by the British oil companies to the United Kingdom balance of payments.

16. It was agreed that contact should be maintained in London so that Government and industry statements would be compatible if a break occurred.

EQ 1532/225

No. 6

THE IRAQ OIL NEGOTIATIONS

Sir Humphrey Trevelyan to Lord Home. (Received October 24)

(No. 88. Confidential) Baghdad,
My Lord, October 18, 1961.

On October 12, 1961, the negotiations between the Iraq Government and the Iraq Petroleum Company decisively broke down. They had been continuing fitfully since the revolution of July 14, 1958. Until the late stages they had concentrated almost exclusively on the question of the relinquishment of unexploited territory. The delays were almost entirely due to the Iraq Government's deliberate tactics. Although Iraqi official propaganda likes to make out that the Company have been procrastinating, at one point an official commentary congratulated Qasim on his clever policy of delay which had brought the Company far towards meeting his demands.

2. During the period from the revolution until February 1960, when the near Communist, Ibrahim Kubba, was Minister in charge of oil affairs, the Minister for Foreign Affairs, Hashim Jawad, on a number of occasions advised me that the Company should not pursue their negotiations until Kubba was out of the way. But his disappearance made the negotiations no easier. They have been in the effective control of Qasim down to the smallest detail and the present Minister of Oil, Muhammad Salman, although he gave every indication of being a man of goodwill and of really trying to reach a settlement, was unable to exercise any effective influence over their course. Qasim's other advisers in these discussions have been Muhammad Hadid, Finance Minister for the first two years after the revolution, Tal'at al Shaibani, the fellow travelling Minister for Planning, and Abdul Latif Shawwaf, at first Minister of Commerce and then Governor of the Central Bank. Shawwaf has not been a significant figure at all; Tal'at al Shaibani's influence has almost certainly been wholly destructive and hostile to the Company for political reasons. Muhammad Hadid up to the last moment appears also to have been generally negative and destructive in his advice and never ready to argue a point against Qasim. We found him extremely rigid in the negotiation on the sterling balances and except at the last moment of the oil negotiations he showed no sign of

trying to get a settlement with the I.P.C. His outlook was the doctrinaire view that the Company were an imperialist monopoly which had obtained a concession under British influence through a corrupt reactionary Government, and that they must be divested of their privileges, prevented from exploiting the country's wealth and made to restore Iraq's rights.

3. On the other side, the negotiations were not made easier by the structure of the Company. The Company's representatives have been handicapped by being to some extent intermediaries between the groups owning the Company and the Iraq Government. Their liberty of manoeuvre has been small and every new position has had to be hammered out by long and difficult inter-group discussions. The groups have to some extent had conflicting interests, though in the latter stages of the negotiations they found less difficulty in achieving a common front in the face of Qasim's increasing demands.

4. The concessions covered the whole country. Modern concessions in the Middle East cover much smaller areas and generally include provisions for relinquishment of unexploited territory after specific periods. It was, therefore, quite a reasonable demand on the part of the Iraqis that the concessions should be modified in this manner and the Company recognised this by the agreement in principle to relinquishment which they gave before the revolution. They started by proposing relinquishment of 25 per cent. By 1959 they had apparently reached a deadlock on the difference between 55 per cent. and 60 per cent. At this stage the real issues had not been brought out, since there had as yet been no agreement on who would decide the areas to be relinquished nor any apparent appreciation of the intimate connexion between this and the size of the area to be relinquished. In early 1959 I had suggested that the negotiations should be carried out at a high level, perhaps by the Chairman of the Company or by a delegation of the groups, since I felt that Qasim would never believe that he had come to the end of the Company's willingness to concede, until he was negotiating directly with the top layer. The

talks were, however, for some time conducted for the Company by the local representative and one of the Executive Directors, the Managing Director not taking a hand until the summer of 1960. In the autumn of 1960 the discussions again reached deadlock and Qasim for the first time began threatening unilateral legislation to expropriate the unexploited areas. At this stage I was asked by the Company to take a hand. I was able to get Qasim's agreement to a three stage relinquishment proposal, the Company agreeing to give up 75 per cent. of the unexploited territory immediately and coming down to 10 per cent. of the concessionary area after 12 years. Qasim confirmed this agreement in two subsequent meetings with the Managing Director who made concessions on three subsidiary points raised by Qasim in order to clinch the agreement. At that point the Iraqis re-opened the negotiation and made a further bid for a two-stage agreement over a period of seven years. To this also the Company eventually agreed and in the spring of 1961 wrote a letter to that effect virtually in the terms dictated by Qasim.

5. But by the autumn of 1960 other questions were being added by Qasim and he began to insist that all his demands were linked and could not be settled separately. He first picked on the Iraq Government's claim that the Company should stop recovering the dead rents paid by them in the early stages of the concession before production started. In spite of the Company's willingness to go to arbitration and to suspend recovery for two years pending arbitration, Qasim refused to proceed with the negotiations unless they agreed to suspend collection indefinitely until the arbitration was finished. To this also they agreed in the spring of 1961 in an effort to get the negotiations going again. It remains to be seen whether the Iraqis ever go to arbitration. The next difficulty was gas. The Company had given the Iraq Government full title to all gas now being flared off and proposed the establishment of a joint committee to consider the use of gas supplies from new production. The Iraq Government are unable to use more than a small proportion of the available gas for industrial purposes and as yet no commercial means has been found for exporting the gas. The issue, therefore, was in no sense immediate or practical. The Company came forward with further proposals on the principle of first come first served, but Qasim never moved from his extreme position that all the Company's

rights to gas, even gas still in the ground, must be relinquished. At the last moment he added even a demand for compensation for the gas already flared off. Other minor points under discussion included the responsibilities of the Iraq Government's Executive Director, which was the only point settled without great difficulty and the question of posted prices. This never came under serious discussion, though the Iraqis at the last moment raised a demand for compensation for the alleged differences in the past between the actual and the justifiable level of posted prices, and interest on these amounts which they alleged were long overdue.

6. In the concluding stages of the negotiation the Company was represented by senior representatives of the group, the principals being Mr. H. W. Fisher, Vice-President of Standard Oil Company of New Jersey and Mr. F. J. Stephens, Chairman of the Shell Transport and Trading Company and by the Managing Director. The major questions pressed by the Iraqis were those of the percentage of profits and share participation in the existing venture. The Company were not prepared to give way on either point. They had of course very much in mind the repercussions of any modification on either point on their concessions elsewhere in the Middle East. They pointed out that since oil was selling at a discount from posted prices, the Iraqis were in fact getting a larger share than 50 per cent. already. They argued that they could not afford to allow the Iraqis share participation in the existing venture in view of the very large calls on the profits which they received from oil production in Iraq for the remaining integrated activities of the groups in refining, transportation, marketing and exploration. Even if it had been possible to evaluate fairly the amount which the Iraqis should pay, the Iraqis had made it clear to them that they expected to pay not more than a nominal amount which would mean the handing over to the Iraq Government of a considerable share of the profits received by the groups. However, when the question of share participation was approaching a deadlock, the Company made a new proposal for a joint venture with the Iraq Government on a share participation basis in the 15 per cent. of the unexploited area to be retained by them for seven years. In informal discussions between Mr. Fisher, the Iraqi Minister for Oil and Mr. Muhammad Hadid, it appeared possible that something

on these lines might form the basis of a settlement. The Iraqis at this stage were pressing for the Company's proposal to apply not to the 15 per cent., since this area would in any case revert to the Iraqis after seven years, but to the portion outside the existing fields of the 10 per cent. of the concession area to be left to the Company for the remaining period of the concession, on the further understanding that the remaining 90 per cent. should be immediately relinquished. The Company might even have gone as far as this if there had been a reasonable prospect of an agreement on such a basis and provided the Iraq Government had been prepared to withdraw their demands on share participation and the 50/50 in relation to the existing venture. Qasim at one moment seemed to be toying with the idea and it is probable that the Minister for Oil worked hard in favour of a settlement of this sort. However, at the last meeting Qasim was clearly out for a break. In making a tentative reference to this proposal, he coupled with it a demand for a change in the 50/50 on the existing venture and he must have known well enough that this would be refused. Thus after three years during which the Company had shown considerable patience and had moved a long way from their first position, the negotiations broke down when it finally appeared that Qasim had no intention of making an agreement with the Company on any terms other than complete capitulation to his demands.

7. It now remains to be seen what action Qasim proposes to take against the Company. He has threatened legislation to expropriate all unexploited areas outside the existing wells. It has been publicly stated that a national oil company will be established and Muhammad Hadid's newspaper has advocated that it should exploit the expropriated areas. Such a venture would require considerable investment and would clearly run into difficulties at the stage of commercial production; but the Iraqis may hope that the world oil situation will by that time have changed to an extent which will solve their problems for them. It has never seemed likely that Qasim would nationalise the existing venture, since this would immediately endanger the continuation of the royalties which provide nearly two thirds of the total revenue of the State. There may be a long process of gradual pressure for alteration of the conditions of oil production in Iraq to the advantage of

the Government and to the disadvantage of the Company.

8. Qasim had pushed the Company a long way, but his present line of conduct, if he carries out his proposed intentions, is likely to be detrimental to Iraq's financial interests. The Rumaila field at Basra is so large that the Company could probably produce from the existing wells for the period of the concession at least an amount approaching the 22 million tons a year for the export of which the new deep sea terminal is intended. But Qasim, while refusing any modification in the disputed rate of Basra port cargo dues, a dispute which is already costing the Iraq Government about £2 million a year, has given notice that the future dues both at Fao and at the deep sea terminal will be not less than the existing rates and subject to alteration at any time by unilateral action of the Iraq Government. It seems unlikely in these circumstances that there will be any desire on the part of the groups to enter into long term contracts for the purchase of oil from the Basra field in amounts substantially greater than the present export figure of about 9 million tons. In the north the Company, if confined to the existing fields, may well give notice to the Iraq Government that they will be unable to fill the newly increased pipeline facilities and they may therefore decide to reduce for that reason the planned level of production. If Qasim had been content to settle for a little less and retain to some extent the goodwill of the groups, he could have assured Iraq of extra production and substantially extra revenues. The groups would have invested new money in a joint venture with the Iraq Government and many companies, including probably some of the groups participating in the I.P.C., would have bid for new concessions in the relinquished areas. By pressing his demands too far and by his obstinate refusal to compromise, he is likely to lose Iraq considerable sums of money. By the end of the discussions he had destroyed all confidence in the possibility of negotiation and there is no doubt that the Company were right in refusing to go any further.

9. I am sending a copy of this despatch to Her Majesty's Treasury, the Ministry for Fuel and Power and Her Majesty's Representatives at Washington, Paris and The Hague.

I have, &c.

HUMPHREY TREVELYAN.

EQ 1015/168

No. 7

THE RISING IN IRAQI KURDISTAN

Sir Humphrey Trevelyan to Lord Home. (Received October 31)(No. 89. Confidential)
My Lord,Baghdad,
October 25, 1961.

One of the most important and difficult problems facing any Iraqi Government is the integration of its 6 million Arabs and 1 million Kurds into one State. Kurdish disaffection has persisted under successive Iraqi Governments, and inter-tribal conflicts have been endemic for centuries. The recent Kurdish rising was the most extensive since the first years of the British mandate. It was essentially the result of Qasim's bad management, the weakness of his Government and the chaotic conditions during the first years of the revolution. His system of internal politics was to play off one party against the other, and to capture potentially hostile movements by drawing their teeth and making them wholly subservient to himself. He failed with the Communists. The official Communist Party established by him failed to acquire any adherents and the real party, having been played off against the nationalists, refused to play any more and went underground. He failed also with the Kurds. He brought the Barzanis back from the Soviet Union—his initial mistake—to use them against "reactionary" Kurdish Aghas. He played the Barzanis and their enemies against each other, almost certainly giving arms and bribes to both sides. He tried to capture the Kurdish political movement by promises of a greater recognition of Kurdish rights and by licensing a Kurdish party under his pensioner, Mulla Mustafa, who, he hoped, would be wholly subservient to him. At the same time, he transferred Kurdish officials away from Kurdistan, made no attempt to introduce Kurdish reforms or to develop the Kurdish economy and used Left-wing Kurds against his Arab nationalist enemies in Mosul and Kirkuk. The threat of land reform, though he could not carry it out, alienated the Right-wing Aghas, who were far less easy to brow-beat into submission than the more effete Sheikhs of the middle Euphrates. Instability grew in Kurdistan, the Barzanis were already disgruntled in early 1960, and with the virtual atrophy of political life the Kurdish Party became hostile to the Government. The gap between Government and Kurds widened. Kurdish representation in the Government

had no practical effect, since the Ministers were cyphers. However much they hated each other, the Kurdish leaders of Right and Left, under the common influence of Kurdish national feeling, came to hate the Government more.

2. Unrest grew steadily during the second half of 1960 and came to a head in the early summer of 1961 when Government efforts to contain the Barzanis through pressure by the Barzani's traditional enemies, made open warfare imminent. Qasim attempted to avert serious trouble by a continuation of his manoeuvres. In June he sent for Shaikh Ahmad, the elderly head of the Barzanis, who though reported as praising Qasim effusively, apparently made no commitments. The Barzanis' feuds against their neighbours were intensified by the murder of Sidiq Meran, a man of considerable influence, in an ambush almost certainly planned by Mulla Mustafa. Raids against the Barzanis, probably stimulated by the Government, and limited counter-attacks by them continued until early July when they rounded in strength on their attackers. In a few days of fighting some thousands of Zibaris, Rikanis and others were driven to seek refuge in Turkey, Iran and Government-controlled Iraqi territory, and many villages were burnt by the Barzanis. Qasim was understandably anxious not to use force, but he would have been well advised at this stage at least to bring the Barzanis under control, before the movement spread to other parts of Kurdistan. One report is that operations could not be started sooner, as it took a long time to remove the Kurds from the Second Division, a necessary prerequisite to action. Iraqi Army units moved up towards the end of July, but took no action and do not seem to have penetrated beyond the main towns.

3. Impressed by the Barzanis' vigour and by governmental inaction, Kurdish leaders who hitherto had looked askance at Mulla Mustafa's Left-wing connexions, made common cause with him to present a Kurdish front to the Government. They ousted or neutralised most Government posts in their tribal areas until by the end of August the semi-circle of mountains from north-west of

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Mosul to south-east of Kirkuk was actively under Kurdish authority. There were few clashes with the police and none with the army. From mid-July pamphlets were circulated by the Kurdish Democratic Party. While affirming the party's loyalty to the Iraqi Republic, these called for the end of martial law and of repressive action against the party, the establishment of democratic Government, the observance of Kurdish national rights, the extension of industrial development and the exemption of oil concessions from agrarian reform. The general opinion has been that Mulla Mustafa is not a Communist, though it has been suggested that he became more favourable to the Communists after his visit to the Soviet Union in 1960. At any rate there were Communist Party members in the leadership of the Kurdish Party and there can be little doubt that Mulla Mustafa was ready to accept help from any side in pursuance of Kurdish aims. However, the tenor of these pamphlets seemed to show that by this time the Left-wing influence in the party was diminishing, and there is some evidence that Mulla Mustafa edged out its most Communist-inclined members in an effort to make himself acceptable to the Right-wing Kurdish leaders. The demands as a whole were a fair reflection of Kurdish opinion.

4. The exact course of events at this time is uncertain. At the beginning of August the Kurds appear to have given the Government a month in which to accept their demands. Extensive discussions followed between Government officials and individual Kurdish leaders, not including Mulla Mustafa. The Kurdish forces strengthened their position. A considerable number of Kurdish policemen, and, it was reported, some soldiers, were attached to them. By early September there was no settlement in sight. The Kurds, who were already to have been in full control of areas such as Barzan, Rania and Penjwin, were in strength to occupy Zakho, Erbil, Sank, Koi, Sanjak, Derbendikhan and other points. Most of the mountain roads were cut. Amadiya, Dohuk and Halabja were besieged. Road blocks and checkpoints were established both on the road from Kirkuk to Sulaimaniyah and on the road in the plains between Kirkuk and Erbil. There were a number of police casualties in attacks on Government posts, and some captured Government officials were roughly treated. One or two may have been killed.

5. Qasim finally took action on about the 10th of September. Aircraft operating with bombs and rockets made continual strikes

against Kurdish villages and small towns for about a week. The bombing was indiscriminate but effective. Many villages were destroyed, probably more non-combatants than tribesmen were killed and livestock suffered heavily. The army followed up, its first action being to clear the Derbendikhan Dam area; and large-scale resistance ended after some 10 days. The Government realised that they cannot commit regular forces indefinitely and that the army is unsuited to and ill-trained for guerilla warfare in the mountains. They presumably do not want to continue to use Arab soldiers against Kurds, but cannot trust the job to Kurdish units. A feature of their latest operations has therefore been the use of irregular Kurdish forces formed from tribes hostile to the Barzanis, and armed by the Government. They are forced to revert to the old policy of using tribe against tribe. The Kurds have not been finally crushed, but operations are continuing only in the less accessible areas. From late September telegrams of support for Qasim, under official pressure, have come in from all parts of Iraqi Kurdistan. One of the latest was from Shaikh Ahmad, whose submission, accompanied by the despatch of his son to Erbil as a hostage, was perhaps arranged by him, in consultation with his brother, Mulla Mustafa, in order to protect the Barzani families from the vengeance of hostile tribes supported by the Government. Mulla Mustafa himself has variously been reported as being gravely wounded, in hiding and a prisoner in Iran. Were any of these reports true, there would doubtless have been confirmatory evidence by now. He is probably out in the hills north of Rania, and there are reports that he still has quite a large force with him. Guerilla warfare is likely to continue for some time.

6. The Kurdish Democratic Party, already effectively suppressed by the authorities, has now been formally dissolved. A number of Kurds in Baghdad were arrested, mostly only for short periods. Brigadier Fuad Arif, Minister of State, was allowed to resign and is believed to be under close surveillance. Those Kurds to whom we have been able to speak are deeply distressed and outspokenly critical of the indiscriminate ruthlessness of Qasim's punitive action, regardless of whether they sympathised with the rising. Qasim himself regards his action as a tactical triumph, claiming that what he accomplished in seven days would have taken three years if the British-taught methods of former times had been followed.

CONFIDENTIAL

EQ 1015/168

No. 7

THE RISING IN IRAQI KURDISTAN

Sir Humphrey Trevelyan to Lord Home. (Received October 31)(No. 89. Confidential)
My Lord,*Baghdad,
October 25, 1961.*

One of the most important and difficult problems facing any Iraqi Government is the integration of its 6 million Arabs and 1 million Kurds into one State. Kurdish disaffection has persisted under successive Iraqi Governments, and inter-tribal conflicts have been endemic for centuries. The recent Kurdish rising was the most extensive since the first years of the British mandate. It was essentially the result of Qasim's bad management, the weakness of his Government and the chaotic conditions during the first years of the revolution. His system of internal politics was to play off one party against the other, and to capture potentially hostile movements by drawing their teeth and making them wholly subservient to himself. He failed with the Communists. The official Communist Party established by him failed to acquire any adherents and the real party, having been played off against the nationalists, refused to play any more and went underground. He failed also with the Kurds. He brought the Barzanis back from the Soviet Union—his initial mistake—to use them against "reactionary" Kurdish Aghas. He played the Barzanis and their enemies against each other, almost certainly giving arms and bribes to both sides. He tried to capture the Kurdish political movement by promises of a greater recognition of Kurdish rights and by licensing a Kurdish party under his pensioner, Mulla Mustafa, who, he hoped, would be wholly subservient to him. At the same time, he transferred Kurdish officials away from Kurdistan, made no attempt to introduce Kurdish reforms or to develop the Kurdish economy and used Left-wing Kurds against his Arab nationalist enemies in Mosul and Kirkuk. The threat of land reform, though he could not carry it out, alienated the Right-wing Aghas, who were far less easy to brow-beat into submission than the more effete Sheikhs of the middle Euphrates. Instability grew in Kurdistan, the Barzanis were already disgruntled in early 1960, and with the virtual atrophy of political life the Kurdish Party became hostile to the Government. The gap between Government and Kurds widened. Kurdish representation in the Government

had no practical effect, since the Ministers were cyphers. However much they hate each other, the Kurdish leaders of Right and Left, under the common influence of Kurdish national feeling, came to hate the Government more.

2. Unrest grew steadily during the second half of 1960 and came to a head in the early summer of 1961 when Government efforts to contain the Barzanis through pressure on the Barzani's traditional enemies, made open warfare imminent. Qasim attempted to avert serious trouble by a continuation of his manoeuvres. In June he sent for Shaikh Ahmad, the elderly head of the Barzani who though reported as praising Qasim effusively, apparently made no commitments. The Barzanis' feuds against the neighbours were intensified by the murder of Sidiq Meran, a man of considerable influence in an ambush almost certainly planned by Mulla Mustafa. Raids against the Barzani probably stimulated by the Government, and limited counter-attacks by them continued until early July when they rounded up strength on their attackers. In a few days fighting some thousands of Zibaris, Rikan and others were driven to seek refuge in Turkey, Iran and Government-controlled Iraqi territory, and many villages were burnt by the Barzanis. Qasim was understandably anxious not to use force, but he would have been well advised at this stage at least to bring the Barzanis under control, before the movement spread to other parts of Kurdistan. One report is that operations could not be started sooner, as it took a long time to remove the Kurds from the Second Division, a necessary prerequisite to action. Iraqi Army units moved up towards the end of July, but took no action and do not seem to have penetrated beyond the main towns.

3. Impressed by the Barzanis' vigour and by governmental inaction, Kurdish leaders who hitherto had looked askance at Mulla Mustafa's Left-wing connexions, made common cause with him to present a Kurdish front to the Government. They ousted and neutralised most Government posts in the tribal areas until by the end of August the semi-circle of mountains from north-west

Mosul to south-east of Kirkuk was effectively under Kurdish authority. There were few clashes with the police and none with the army. From mid-July pamphlets were circulated by the Kurdish Democratic Party. While affirming the party's loyalty to the Iraqi Republic, these called for the end of martial law and of repressive action against the party, the establishment of democratic Government, the observance of Kurdish national rights, the extension of industrial development and the exemption of tobacco plantations from agrarian reform. The general opinion has been that Mulla Mustafa is not a Communist, though it has been suggested that he became more favourable to the Communists after his visit to the Soviet Union in 1960. At any rate there were Communist Party members in the leadership of the Kurdish Party and there can be little doubt that Mulla Mustafa was ready to accept help from any side in pursuance of Kurdish aims. However, the tenor of these pamphlets seemed to show that by this time Left-wing influence in the party was diminishing, and there is some evidence that Mulla Mustafa edged out its most Communist-inclined members in an effort to make himself acceptable to the Right-wing Kurdish leaders. The demands as a whole were a fair reflection of Kurdish opinion.

4. The exact course of events at this time is uncertain. At the beginning of August the Kurds appear to have given the Government one month in which to accept their demands. Abortive discussions followed between Government officials and individual Kurdish leaders, not including Mulla Mustafa. The Kurdish forces strengthened their position. A considerable number of Kurdish policemen, and, it was reported, some soldiers, defected to them. By early September there was no settlement in sight. The Kurds, who seem already to have been in full control of villages such as Barzan, Rania and Penjwin, moved in strength to occupy Zakho, Sersank, Koi, Sanjak, Derbendikhan and other points. Most of the mountain roads were cut. Amadiya, Dohuk and Halabja were besieged. Road blocks and check-points were established both on the road from Kirkuk to Sulaimaniyah and on the road in the plains between Kirkuk and Arbil. There were a number of police casualties in attacks on Government posts, and some captured Government officials were roughly treated. One or two may have been killed.

5. Qasim finally took action on about the 10th of September. Aircraft operating with bombs and rockets made continual strikes

against Kurdish villages and small towns for about a week. The bombing was indiscriminate but effective. Many villages were destroyed, probably more non-combatants than tribesmen were killed and livestock suffered heavily. The army followed up, its first action being to clear the Derbendikhan Dam area; and large-scale resistance ended after some 10 days. The Government realised that they cannot commit regular forces indefinitely and that the army is unsuited to and ill-trained for guerilla warfare in the mountains. They presumably do not want to continue to use Arab soldiers against Kurds, but cannot trust the job to Kurdish units. A feature of their latest operations has therefore been the use of irregular Kurdish forces formed from tribes hostile to the Barzanis, and armed by the Government. They are forced to revert to the old policy of using tribe against tribe. The Kurds have not been finally crushed, but operations are continuing only in the less accessible areas. From late September telegrams of support for Qasim, under official pressure, have come in from all parts of Iraqi Kurdistan. One of the latest was from Shaikh Ahmad, whose submission, accompanied by the despatch of his son to Arbil as a hostage, was perhaps arranged by him, in consultation with his brother, Mulla Mustafa, in order to protect the Barzani families from the vengeance of hostile tribes supported by the Government. Mulla Mustafa himself has variously been reported as being gravely wounded, in hiding and a prisoner in Iran. Were any of these reports true, there would doubtless have been confirmatory evidence by now. He is probably out in the hills north of Rania, and there are reports that he still has quite a large force with him. Guerilla warfare is likely to continue for some time.

6. The Kurdish Democratic Party, already effectively suppressed by the authorities, has now been formally dissolved. A number of Kurds in Baghdad were arrested, mostly only for short periods. Brigadier Fuad Arif, Minister of State, was allowed to resign and is believed to be under close surveillance. Those Kurds to whom we have been able to speak are deeply distressed and outspokenly critical of the indiscriminate ruthlessness of Qasim's punitive action, regardless of whether they sympathised with the rising. Qasim himself regards his action as a tactical triumph, claiming that what he accomplished in seven days would have taken three years if the British-taught methods of former times had been followed.

7. Public official recognition of the disturbances came slowly and indirectly. In a speech on the 17th of August Qasim attacked "the advocates of separatism and disunity" and subsequent comments by the Baghdad Press and radio made it clear that he was referring to internal unity. The reasons for his reluctance to be more explicit were probably his desire to conceal the seriousness of the situation and possibly a hope that he might break up the Kurdish tribal alliance without committing his forces. During a speech on the 7th of September, he said that the disturbances were an imperialist diversion to engage the Iraqi Army in the north and that the imperialists wished to harass Iraq with internal and external troubles during the oil negotiations. The Press echoed this with assertions that the British, together with the Iraq Petroleum Company, the Central Treaty Organisation and the Americans, were directly responsible for the rising. I made oral and written representations to the Acting Foreign Under-Secretary about these wild allegations. In his Press conference on the 23rd of September, Qasim directly accused this Embassy of distributing $\frac{1}{2}$ million dinars to subvert the Kurds. He produced documents to show that British officials had enjoyed Mulla Mustafa's confidence between 1933 and 1945 when there had been risings which had tied down the Iraqi Army; and asserted that in the present rising the Kurds had fully expected armed British support. He wholly exculpated the Soviet Union. Imperialists had supplied the weapons; Britain backed by the Americans (described as "hangers-on" of the British) was responsible, and the British Embassy should give guarantees of good behaviour or be closed. Qasim's reasons for this outburst were probably his wish to cover up his failure to keep Kurdistan peaceful and to take revenge for his frustration in Kuwait by selecting us as his special target. In any case the British are still the traditional scapegoat when anything goes wrong in Iraq. For the most part local opinion seems genuinely to discount these accusations. Two members of a British contracting firm have been arrested allegedly on suspicion of having had connexions with the Kurdish rising. When Qasim tries the ringleaders, he will probably make every effort to implicate us.

8. The Soviet Union in all probability was not involved in the present rising, though they were doubtless quite happy to see it take place. It demonstrated to Qasim his dependence on their military supplies for the maintenance of his internal position. It

could be expected to result in the weakening of the power of the Right-wing Aghas and consequently greater opportunities for Communist subversion. It would make Turkey and Iran nervous. But the Russians were not in a very easy position, since they had been partners of Mulla Mustafa and could not openly disavow him. They might want to use him again in the future. The Soviet Press and radio was cautious and non-committal. Iraqi Communist pamphlets showed a recognition of the Communist dilemma. They took the line that while the revolting Aghas in Eastern Kurdistan on the Iranian frontier were imperialist agents, who had received encouragement from CENTO by way of Iran, and must be crushed, the Barzanis were loyal citizens of the Republic whom the Government had unjustifiably attacked.

9. The rising is unlikely to have a significant effect on Qasim's régime. The Kurds will for some time be unable to cause serious trouble outside their mountainous homeland and they can expect a long period of suppression. The importance of these events in Kurdistan has been to demonstrate that no outside Power is interested in effectively supporting the Kurds; that the Kurds cannot impose their will on a determined Government; that Qasim, after some vacillation, was capable of that determination and that nobody in Iraq was willing or able to take this opportunity of making an attempt against the dictator, notwithstanding his notable lack of support in the country as a whole. The Kurds will be for a long time bitter against the Government and particularly against Qasim. These events will make it far more difficult for the Government to integrate them successfully into the Iraqi State. The Government will be well advised to follow suppression with pacification and, when order is fully restored, not only to punish the ringleaders, but to make some attempt to remedy the main Kurdish grievances. There appears to be no practical possibility of the establishment of a separate Kurdish State. So the Government, while maintaining their authority, can afford to show some sympathy for Kurdish aspirations within the framework of the Iraqi Constitution.

10. I am sending copies of this despatch to Her Majesty's Representatives in Washington, Moscow, Ankara, Tehran, Bahrain, Kuwait, Amman, Beirut, Damascus and Cairo and to the Political Officer with the Middle East Command (Aden).

I have, &c.

HUMPHREY TREVELYAN

CONFIDENTIAL

EQ 1103/11

No. 8

THE IRAQI ECONOMY

Sir Humphrey Trevelyan to Lord Home. (Received 31 October)

(No. 90 E. Confidential)

My Lord,

Baghdad,

26 October, 1961.

For over three years the Iraqi economy has drifted, though without suffering serious harm. It is difficult to say whether it is in a worse or better condition than six months ago. It is perhaps slightly better, since the longer Iraqis live with a situation which they regard as hopeless, the better they seem able to cope with it.

2. Most Iraqi businessmen who are asked what is wrong with the economy will almost certainly reply that until the country has achieved stability there can be no confidence, and, as one Iraqi banker has expressed it, that confidence is really the only economic law which applies in Iraq. If there is confidence, money and business flow normally and there is a reasonable level of investment. For the first two years or more after the revolution confidence was lacking. By the beginning of this year there was a tendency among businessmen to regard conditions as more normal, mainly because there had been no serious upheaval. In this last summer business confidence suffered a series of setbacks: the Kuwait incident, the nationalisation measures in the United Arab Republic which Iraqis feared might be contagious, the revolt in Kurdistan and finally the breakdown in the oil talks.

3. As a result, the basic characteristic of the market continues to be shortage of money, because people prefer to hoard their money or to try and smuggle it out of the country rather than lend it to the banks, and to do business with other people's money, if possible, rather than their own. There have been some bankruptcies, though not on a serious scale, mostly in badly organised trades, such as cotton textiles. These conditions probably make surprisingly little difference in terms of turnover, and when merchants say, as they do, that the market is hopelessly slack, it is doubtful if business is down by more than 5 to 10 per cent. A fair indication of this is that there has been great pressure throughout the year on import quotas. Generally, however, in the present situation businessmen are unwilling to hold stocks or make longer term commitments.

4. Import licensing restrictions have caused difficulties, but have not been intolerable. Following an exceptionally high import bill in 1960 which led to some depletion of the foreign exchange reserves, the Government maintained a quota system throughout 1961 and tried to restrict imports of non-essential goods. The system has been complicated to work, because in addition to an overall quota for each commodity, notional quotas have been fixed for individual firms related to their imports in previous years. There have been complaints and some serious blunders were made, but the results could have been much worse.

5. Until recently there had been no sign of discrimination in import licensing either in terms of country of origin or in terms of the nationality of the importer. All British firms working here apparently consider that they have had a fair share of import licences. A few weeks ago it began to be widely believed in the market that there was a new policy to restrict the import of British goods and there is some evidence that Qasim may have been personally responsible for initiating such a move. Licence applications for British goods were refused and the importers advised to state a different country of origin. The initial efforts to restrict British imports misfired, probably largely as a result of pressure from Iraqi merchants, and the new directive was quickly reversed. I received an assurance from the Minister for Foreign Affairs that there was no such directive. On the authority of the Minister of Trade, he said that there had been a misunderstanding. Although this situation seems to be clearing up, we may encounter some further less serious difficulties from the efforts of ill-disposed officials in the Directorate-General of Imports and from the misguided ideas of the Minister of Trade. He recently urged the Chamber of Commerce to buy more from Eastern Europe, and the same theme, coupled with that of anti-imperialism, is implicit in two of his recent public speeches. But any such efforts are likely to encounter great resistance among Iraqi merchants who have already had a bad experience of enforced shopping in Eastern Europe.

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when Ibrahim Kubba was Minister in charge of trade for the first year after the revolution. It is one of the encouraging features of the recent attempt to discriminate against British goods that some leading merchants, including a member of the committee of the Chamber of Commerce, were willing to protest to the authorities against a measure which affected their interests. Two years ago this would not have happened.

6. No date has yet been given for the application of the Commercial Agencies Law which was enacted in February 1960. This was designed to restrict the holding of agencies to Iraqi nationals and companies and was to give foreign firms the choice of converting themselves into Iraqi enterprises or closing down. Some foreign firms, including one or two British, have already converted, but most are still adopting a policy of wait and see. Experienced British firms in Iraq realise that proclaimed policies of the Iraqi Government often disappear in the sands in their execution, and are well versed in the art of meeting attacks on their position, by adaptation or indirect defence.

7. The general lack of stability has had a depressing effect on the level of private investment, but in the last year there has been greater willingness to commit capital in building and industry. In Baghdad there is at present a minor building boom fostered partly by tax reliefs introduced last April. Many industrial establishments seem to be ordering new machinery and we know of a number of new small industrial plants being started. This process has been encouraged by tax and other concessions contained in an Industrial Promotion Law enacted in May this year. Industry is making good profits, on the average not less than 15 per cent, but it is a sign of the uncertain times that wherever possible industrialists are financing expansion by loans from the Industrial Bank.

8. Progress is now being made with some of the 13 industrial plants to be set up with Soviet aid under the terms of the Iraqi/Soviet Economic and Technical Co-operation Agreement of March 1959. Machinery contracts for eight of these plants have already been signed, some of the equipment has arrived in Iraq and civil engineering work has begun on a number of sites. Consultancy contracts have been awarded for four major projects outside the Soviet Agreement, but there is now little hope that any of the 13 projects in the Agreement will go to international tender. The Ministry of Industry managed to get the agreement of the Economic Planning Board that independent consultants should be appointed to consider alternative offers for the steel mill, but they based their hopes on a bid from a United Kingdom firm which did not materialise. This may well have prejudiced any chances which remained of outside offers being considered for other projects in the Soviet Agreement. The Italians however are considering bidding for the projected fertiliser and sulphur recovery plants. The Railways Administration seem to have been finally committed by Qasim against their will to buy all the equipment, including the rolling stock, for the Baghdad-Basra railway scheme from countries in the Soviet bloc. The lure of cheap credit is too attractive.

9. The Government have just approved an Economic Plan for the five years 1961-66, the details of which will be reported when they are available. I am not yet in a position to say how far it is financially realistic. It assumes a considerable progressive increase in oil revenues, which may be wholly unrealistic in the light of Qasim's conduct of the oil negotiations. Nor am I yet clear how far it is a real plan, rather than, as previously, a collection of departmental bids unrelated to real financial possibilities, without priorities being selected in the light of the real economic requirements of the country. But the inference can be drawn from a superficial reading of the summary already published that clear preference is to be given to industrial development. A sum of ID167 millions, 30 per cent of the total, has been allocated to industry, and the official statement makes it clear that the main contribution to an increase in the national income is expected to come from this source rather than from agriculture. This is contrary to the advice given in the past by all independent economic advisers, including the International Bank mission which visited Iraq in 1951. The decision may have been influenced by the Left-wing doctrinaire officials in the Ministry of Planning, on the theory that industrialisation is synonymous with liberation from imperialism, but it naturally reflects also the common emotional belief in developing countries that industry, whatever the local circumstances, must be the economic foundation of development. Quick industrialisation is the fashion, and in the Arab world one must keep up with the Egyptians.

10. Apart from the major question of the relative weight which should be given to industry to the detriment of agriculture, there is real doubt of the economic basis of much of the industrial planning in the Government sector. These are indications that too little attention has been paid to costing or market surveys. The Iraqis tend to assume that what is produced can be sold. For instance the electric lamp factory and the pharmaceutical and anti-biotics factory for which contracts have already been signed with the Soviet Union, can only maintain an economic level of production if a fair proportion of their output is exported; but it is virtually certain that the products from these factories will not be able to compete with foreign products even in neighbouring countries. The Ministry of Industry is one of the better run departments in the Iraqi Government. Its senior staff are keen and on the whole practical and intelligent, but it is difficult to see how present plans can fail to leave Iraq with a lot of high cost industry which the country does not need. Private industry has on the whole been successful in Iraq, Government industry unsuccessful. The best practical results would be obtained by the use of Government investment to encourage and underpin private enterprise, rather than by the method proposed in the plan, the diversion of private capital to Government-run industrial projects. It is doubtful how much private money will be forthcoming for investment in them.

11. I have reported separately on the state of agriculture and the disorganisation caused by Agrarian Reform. This is without question the most important economic problem facing the Government and unless they can solve it, there cannot be any significant increase in the general standard of living and there will be only a limited demand for the products of local industry.

12. The standard of efficiency in Government departments varies. Some work reasonably well. The main weakness is the lack of a clear central policy, the need to refer so many matters to Qasim for decision, the frequent lack of decision and Qasim's administrative incompetence. But in some departments there are good senior officials who are aided by the general disorganisation and lack of control, in getting on with their job. A notable example is the Directorate-General of Roads and Bridges which has let a number of contracts for the completion of main highways, has managed to spend ID12 million in 1960 and expects to spend ID15 million this year. The Ministry of Municipalities have also done well with water supply schemes. By and large there is now no shortage of contracting work in Iraq. Much of it is in relatively small projects within the capacity of Iraqi contractors, but the Iraqi authorities continue to hope that foreign contractors will tender for the larger projects. Most of the officials concerned are well aware why the response is so poor.

13. It is satisfactory that there should be a large amount of work in progress, but much money has been wasted on Qasim's ornamental projects such as the so-called Army Canal in Baghdad, which could better have been spent on building houses. It is doubtful whether more than a few thousand working class families have been rehoused in Baghdad since the revolution. Priority has been given to officers. Despite Qasim's frequent claims to be working for the poorer people, little is done to improve their lot or even to protect their interests. There has been some increase in the cost of living this summer, caused mainly by an unnecessarily restrictive policy on rice imports. All the foreign rice that was allowed to come in got into the hands of a few merchants including Qasim's brother, who were able to corner the market and force up the price.

14. There is so far little information how the Budget is going this year. In the last few months the Government had to make an extra issue of treasury bills, presumably to cover a temporary cash shortage, but this has since been withdrawn and the total on issue again stands at ID15 million. This is a modest total and the Government could enlarge it without harm to the economy. There are varying reports on the Government's punctuality in payment, but there is reason to think that delays are less than formerly. The Minister of Finance is a good technician and probably controls expenditure with fair efficiency, but he is in no way able to stand up to Qasim and he must find it difficult to cope with Qasim's extravagances.

15. With fertile soil, ample water supplies in her rivers and funds to finance her development, Iraq could, with proper planning and administration, become in a relatively short time the most prosperous country in the Middle East. No one would predict that she will, because planning since the revolution has been

defective and administration weak. In the meantime the main thing to be said for the economy is that it works and that it cannot suffer any serious setback so long as there is an assured income from oil. Qasim, for emotional-political reasons, may press the oil companies to the point at which oil revenues actually show signs of regression. Already he has compromised the planned increase in production. He cannot indefinitely have it both ways. But the indications at the moment are that, however unpleasant he makes life for the oil companies, he will stop short of the point at which the oil revenues will be seriously affected.

16. Although Qasim may make further attempts to interfere with our trading position, there are good prospects that his capacity to do us harm in this way will be limited by the self-interest of Iraqi businessmen engaged in trade with the United Kingdom. Iraq's foreign exchange position is good and, whatever the Iraq Government's planning policies, the country will for a long time be a large importer of foreign goods. So long as we are not prevented from trading with Iraq, we should make the most of it and continue to encourage our exporters to maintain and develop their interest here and not, because of difficulties, allow what should be an increasing and profitable market, to pass from lack of enterprise and courage, to our active competitors in West or East.

17. I am sending a copy of this despatch to the Middle East Development Division, Beirut, Her Majesty's Treasury, the Commercial Relations and Exports Department of the Board of Trade, the Export Credits Guarantee Department and the Bank of England.

I have, &c.

HUMPHREY TREVELYAN.

EQ 1015/169

No. 9

SIR HUMPHREY TREVELYAN'S VALEDICTORY DESPATCH

Sir Humphrey Trevelyan to Lord Home. (Received October 31)

(No. 91. Confidential)
My Lord,

Baghdad,
October 26, 1961.

I have lived in Baghdad for most of the first 34 years of the Iraqi Revolution. The central fact of its history in this period is that Qasim is still in power. He has lost the support of nearly all those, from Right to Left, who acclaimed him at the Revolution. He is generally disliked, often ridiculed and generally disbelieved. The promise of a speedy return to political life ended abruptly with the extinction or atrophy of the parties under his withering hand. The only political groups with a real life of their own are in opposition and underground. The officials who bear the name of Ministers play a subordinate and non-political role. Qasim's personal collaborators in the Ministry of Defence are the opportunists and flatterers who alone can flourish under this system. The administration is run as a personal estate with the owner keeping for his own decision a host of petty details best left to his subordinates, while he fails to give serious purpose or direction to the administrative machine. Development suffers from the subordination of proper priorities to his desire to promote prestige projects. There is much waste. The cult of personality is paramount, but no longer the expression of genuine attachment. The Leader alone exists and acts in his own right. All others exist or act only in his shadow. His photograph confronts the passer by at every turn, placed not by faithful adherents (who hardly exist), but by the army or the police. Efforts to induce him to form a committee to draft a Constitution have as yet been fruitless. Everyone assumes that, so long as he remains, the country will be governed by personal rule. He boasted three years after the Revolution that there had been 27 plots against him. He does not possess personal qualities which command affection or involuntary respect. In public speaking his style is jerky and abrupt; his delivery is awkward; the matter of his speeches tedious, repetitive and often patently absurd. He is wrapped in his self-conceit. He listens in front of visitors, with rapt attention, to his own speeches rebroadcast by his orders. He

regales his visitors with long monologues on the pet subject of the moment. He is often unbalanced, with no regard for the convenience or views of others, wholly self-centred, insufferably self-righteous, always in the right, with God firmly and publicly on his side.

2. How is it then that this unattractive figure, without political support, without friends, a little crazy, in perpetual fear of his life, has succeeded in holding his position and in keeping his enemies at bay? To achieve this positive qualities are needed. He has, above all, a liberal supply of cunning. He is ruthless, but not so ruthless as to create an irresistible movement against him. He is entirely devoted to the task of self-preservation. He is careful, as he says, not to commit suicide. He has unbounded self-confidence. His abnormal psychology enables him to bear pressures which would break the normal man. He knows and plays upon the weakness of his own people. He has an infinite capacity for deceit. He trusts no one and in important matters lets no one know his intentions. He allows no personal weaknesses to come in the way of the central task of maintaining himself in power. His power does not depend on political or personal support. It depends principally on the arrangements for his own protection, which he personally tests at frequent intervals. He lives and works from afternoon until dawn in the fortress of the Ministry of Defence, protected by the Praetorian Guard, his own brigade, in permanent camp in the grounds. He travels in a bullet-proof car behind permanently closed windows, followed by an armed guard. He sleeps briefly in the mornings in his small house surrounded by guards. At every public function he is flanked by armed military policemen. He has only visited one town outside Baghdad since the Revolution. He has numerous intelligence services, who spy on all and sundry and on each other. He arranges continual transfers of officers who might be organising cells against him. He arrests and detains anyone even faintly suspected of plotting against him, but since the tortures and executions of 1959 has wisely refrained from excessive violence

against his opponents. His prisoners generally emerge in due course not much the worse for wear. Paradoxically, the period during which he has lost virtually all political support has seen the apparent strengthening of his personal position, as a result of the security measures essential to his survival. His numerous enemies continually talk plots, but have so far been incapable of organising themselves against him, having no clear idea whom or what they want to put in place of him and being unwilling to take the very considerable risks involved. In the autumn of 1959 the Ba'athists could ambush his car as he travelled unprotected and unattended through a narrow street. A would-be assassin now would have a much more formidable task. He has so far ruled successfully by cunning, by playing off his opponents against each other and by making a serious attempt on his life a dangerous and expensive undertaking.

3. But Iraq is not a country ruled entirely by fear and all classes get something which they want out of the régime. Internal conditions since the early days of the Revolution have been greatly improved. Then the Communist mobs were in control of the streets by day and the Communist irregular force roamed the streets by night. Now the Communists, having been stupid enough to challenge Qasim's power, are suppressed and underground, the police are in charge and again self-confident, the security forces, which were formerly inhibited from acting against "the people" for fear of ending up in the People's Court, are now prepared, if ordered, to shoot students or bomb Kurds. The students, who used to be encouraged to demonstrate and were then declared by the Government to have passed their examinations, now know that they will be shot or packed into a concentration camp if they display any active interest in opposition politics. The Revolution has lost its élan, but also its chaos, and it can afford a high degree of incompetence so long as it is supported by oil royalties to the extent of two-thirds of its revenues, which relieves Qasim of any serious consequences of his maladministration. Nasser has retained his revolutionary ideas and gets into difficulties with them. But in Iraq no revolutionary ideas get in the way of Qasim's single-minded purpose, the retention and enlargement of his own power. The "revolution" was singularly devoid of any ideology, being based primarily on personal hatreds and ambitions. The Government show no dis-

position to meddle unduly with people's lives, provided always that they are not actively opposed to the dictator. So the industrialists, the contractors and the traders make their money, including the men of the new régime like Qasim's brother, who has made a fortune largely out of the people's food and is widely reputed to be the most prominent currency smuggler. Practically anyone can go abroad with adequate foreign exchange. Land Reform, the only really revolutionary measure of the new régime, has lost its drive and stagnates, while pre-revolutionary conditions on the land have returned *sub rosa* in many parts. The peasants are excused their taxes. The officers of the armed forces, after the retirement of any showing signs of independence or spirit, are encouraged to remain at least subservient, if not actively loyal, by the enhancement of their position as a favoured class and by the provision of houses, motor cars, and television sets on easy terms.

4. Those who believed in 1958 in the efficacy of revolution are thoroughly apathetic and disillusioned. They are not unduly oppressed and have no particular incentive to make another change. Qasim may still be shot by one of his many political or personal enemies, but his continued success in his single-minded effort of self-preservation makes more people believe that he may be in position for a long time since he has succeeded, against so many confident predictions, in remaining alive. But his enemies are by no means dismayed. Plotting continues and, though the Nasserites are less of a danger after the defection of Syria from the U.A.R., the Iraqi nationalists have taken heart from the Syrian example and may become more dangerous to him than hitherto. His future is still highly uncertain.

5. In its foreign relations the régime is basically neutral, but with a pro-Russian and anti-Western bias. The Iraqi Revolution was a military *coup d'état* with the primary object of securing power for the group of conspirators in the army who planned and executed it. But its political force was derived from the fact that the Government was in the hands of the Hashemite monarchy and a small group of elderly politicians who had come to power under the wing of the British in the days when the British had effective paramountcy in the Middle East, and who could be overthrown now that the British power was being sapped by indigenous revolution,

international pressures and the political and economic advances in the area of the Soviet Union. The mystique of the Revolution was thus primarily anti-imperialist, specifically anti-British. The fear that the British would regain their influence and bring back the old régime has throughout been and still is at the root of Qasim's thought. We have therefore, directly or indirectly, been the target of Iraqi propaganda throughout this period. Only during the brief period when Communist influence was at its height did the Americans replace us as the principal target. For international Communism imposes on its local parties a global outlook foreign to Arab provincialism. But to Qasim the Americans, in the Iraqi context, play second fiddle to ourselves. The Russians, on the other hand, having no historical legacy of influence in Iraq and being prepared to offer virtually all that Qasim wants in the way of military supplies, economic aid and technical assistance, are regarded as providing the obvious means of escaping from dependence on the West, while presenting no immediate danger to the régime. They have not allowed their policy of friendship with the bourgeois revolutionary Government to be more than superficially affected by the Government's suppression of the Iraqi Communists, who ill-advisedly indulged in a rash attempt to gain control without sufficient discipline or preparation and without an adequate popular base, and were therefore left by the Russians to their fate.

6. Our main problem in this period has been whether, against all the handicaps of emotional prejudice and suspicion arising out of the past, we could maintain reasonable relations with the revolutionary Government, preserve our substantial interests in Iraq and help to keep Iraq reasonably independent and out of Communist hands. In the early days the question in most people's minds was whether Qasim was a Communist and whether the Communists were getting complete control. Our assessment was that Qasim was primarily interested in the maintenance of his own power, that he would not fall wholly under Communist domination unless he could not keep power by any other means, and that non-Communist nationalist feeling in Iraq was sufficiently strong to prevent the Communists gaining complete control and to make it necessary for Qasim to keep at least some independence of them in order to maintain his position. Had he been an avowed Communist he would have quickly fallen.

7. During the first three years we ran into no serious difficulty. We made no objection to Iraq's final disappearance from the Baghdad Pact. We were ready to remove our few remaining troops from Habbaniya as soon as it was clear that there would be no more staging posts in Iraq. We found little difficulty in letting Iraq leave the Sterling Area. We offered to sell the heavy arms which Qasim wanted, though in the end he did not take them. Our trade remained relatively unaffected by political developments. British firms and banks continued to do business in Iraq. The Iraq Petroleum Company, though under pressure, was able to maintain production, and went ahead with its large programme of expansion. We were not supporting Qasim, nor were we opposing him. We refrained from interference in Iraq's internal affairs and ignored the Nationalists' attacks on us for supporting Qasim, by which they meant failing to try and unseat him. We were able to test the hypothesis that Iraqi national interests would compel Qasim to refrain from open hostility to the West, that we could get on with Iraqi neutralism even if slanted to the East and that we could do business with the Revolution, in spite of all Qasim's suspicions and fears of our intentions. The Americans, with less direct interests in Iraq, made the same assessment and took the same line. At the same time we concentrated on what one might call the strengthening of our relations in depth. After prolonged effort the British Council was able to resume its activities in Baghdad and Basra on something approaching the pre-revolutionary level. Thousands of Iraqis still came to the United Kingdom as students, for technical training, on visits of pleasure or for medical treatment. Even military and air force officers were again sent to us for training. That few British teachers of medicine and other technical subjects came to Iraq was due not to Iraqi unwillingness to receive them but to the difficulty of getting suitable candidates from the United Kingdom. That continental contractors predominated was due to the unwillingness of British contractors to return to the uncertainties and difficulties of work in Iraq, which they had experienced even under the old régime, but which were now increased. A slight fall in our proportion of Iraqi imports was due not so much to the arrival of new Communist competitors, who made little headway, nor to official discrimination, as to greater enterprise and efficiency on the

part of our West European and American competitors. Real friendship to us was shown by a multitude of Iraqis and the many connexions between the two countries were, by and large, maintained under the strains of the Revolution.

8. But as Qasim's confidence grew, he became more difficult to deal with and the phase of uneasy compromise ended abruptly in June 1961. Having shown no major ambitions outside Iraq and having been absorbed in the effort to consolidate his position against internal opposition and Nasser's attempts to overthrow him, he suddenly made public claim to Kuwait. This brought him into immediate conflict with British obligations and interests, which we were not prepared to give up for the sake of the relative harmony which we had achieved in Anglo-Iraqi relations. Our relations with him at once sharply deteriorated. Generalised abuse of the imperialists was replaced by direct attacks on the British and, in particular, on the British position in the Gulf. The substitution of Arab for British forces only sharpened his anger against us. We had spoilt his game and made him look ridiculous. A friendly message from Her Majesty's Government was curtly rejected. The revolt in Kurdistan, caused by Qasim's ill management, was publicly attributed by him to the machinations of the British Embassy. The breakdown of the oil negotiations widened the breach, and for the first time there were signs of an attempt to discriminate against British goods. There may be a difficult period ahead.

9. Our relations with Qasim have never been good. He has always been, in his own words, the enemy of imperialism. It is unlikely that we can ever get on satisfactory terms with him. But it is essentially a personal feud. Our relations with Iraqis not entirely dependent on Qasim have remained apparently unaffected. At the beginning of the Revolution the debate was whether Nasser or the Communists would get Iraq first. It does not now look as if Nasser will ever get it. The Communists are most unlikely to get control in the near future, though they remain a serious long-term danger. But the real problem was what Iraq was going to be like without Nasser or the Communists. This picture is still not clear, since Qasim is a freak, not likely to be repeated. Iraq will never be very stable. Iraqis do not really like stability. It will not

be efficient, but will never be so corrupt as Iran. It will probably continue to look to the Soviet Union for military supplies, economic aid and political support, much as Egypt does. But its ties with the West, the sale of the oil on which Iraq is almost wholly dependent, the close commercial, technical, cultural and social connexions, will continue to make a deeper impression on the country than the governmental connexions with the Eastern bloc. Iraqis will continue to attack imperialism and British imperialism in particular. Our legacy of past power in the Gulf and in the oil concession will continue to exacerbate our relations at the top level. We shall continue for some time to be suspected of a design to restore our old position in Iraq. However much against our will, we cannot escape some involvement in inter-Arab affairs. In short, there will be many more ups and downs in Anglo-Iraqi relations. But we can probably in the end reach with an Iraqi Government, if not with Qasim, the kind of understanding which is necessary if we are to preserve our interests and help to ensure that Iraq, while neutral, will be, on the whole, neutral for us. So we should not be driven by Qasim's hostility into taking a negative attitude towards Iraq. Our connexions with the Iraqi people can be preserved. Qasim will find it hard to break them. We may not be able now to do business with Qasim, but it is unlikely that he will be able altogether to prevent us from doing business with Iraq. And if as is quite likely he suddenly disappears, we shall have constructed a reasonable basis for more friendly relations with his successor.

10. I add a postscript. For nearly three years now parting Ambassadors, including Arabs, have been given a small cocktail party by the Foreign Minister at one of the guest houses, which Qasim sometimes, but not invariably, attends for a short period. On September 23 I was publicly accused by Qasim of having spent half a million pounds to raise a revolt in Kurdistan against him and of running spies and agents. On my departure only a month later the Foreign Minister used the occasion to revert to the practice in force for only a few months after the Revolution by which the departing Ambassador is given a large dinner party at the principal place of Government entertainment in Baghdad, with Qasim present throughout. Outside, the Iraqi drivers and police were discussing this curious sequence of events. One said, "Qasim says the

British are not good and the British Ambassador is not good, and now he gives him a party". Another said, "Everyone knows that Qasim is a man of the British", and a policeman summed up: "Without the British Qasim is nothing". At this point my car was summoned. "Come along" said the policeman, "Father of all Embassies".

11. I am sending a copy of this despatch to Her Majesty's Representatives in Amman, Beirut, Cairo, Ankara, Tehran, Kuwait and Bahrain and to the Political Officer with the Middle East Forces (Aden).

I have, &c.

HUMPHREY TREVELYAN.